



LIBRARIES

UNIVERSITY OF WISCONSIN-MADISON

Foreign relations of the United States diplomatic papers, 1935. The American Republics. Volume IV 1935

United States Department of State

Washington, D.C.: U.S. Government Printing Office, 1935

<https://digital.library.wisc.edu/1711.dl/G5OAT7XT7HRHX84>

As a work of the United States government, this material is in the public domain.

For information on re-use see:

<http://digital.library.wisc.edu/1711.dl/Copyright>

The libraries provide public access to a wide range of material, including online exhibits, digitized collections, archival finding aids, our catalog, online articles, and a growing range of materials in many media.

When possible, we provide rights information in catalog records, finding aids, and other metadata that accompanies collections or items. However, it is always the user's obligation to evaluate copyright and rights issues in light of their own use.

Foreign
Relations
of the
United
States

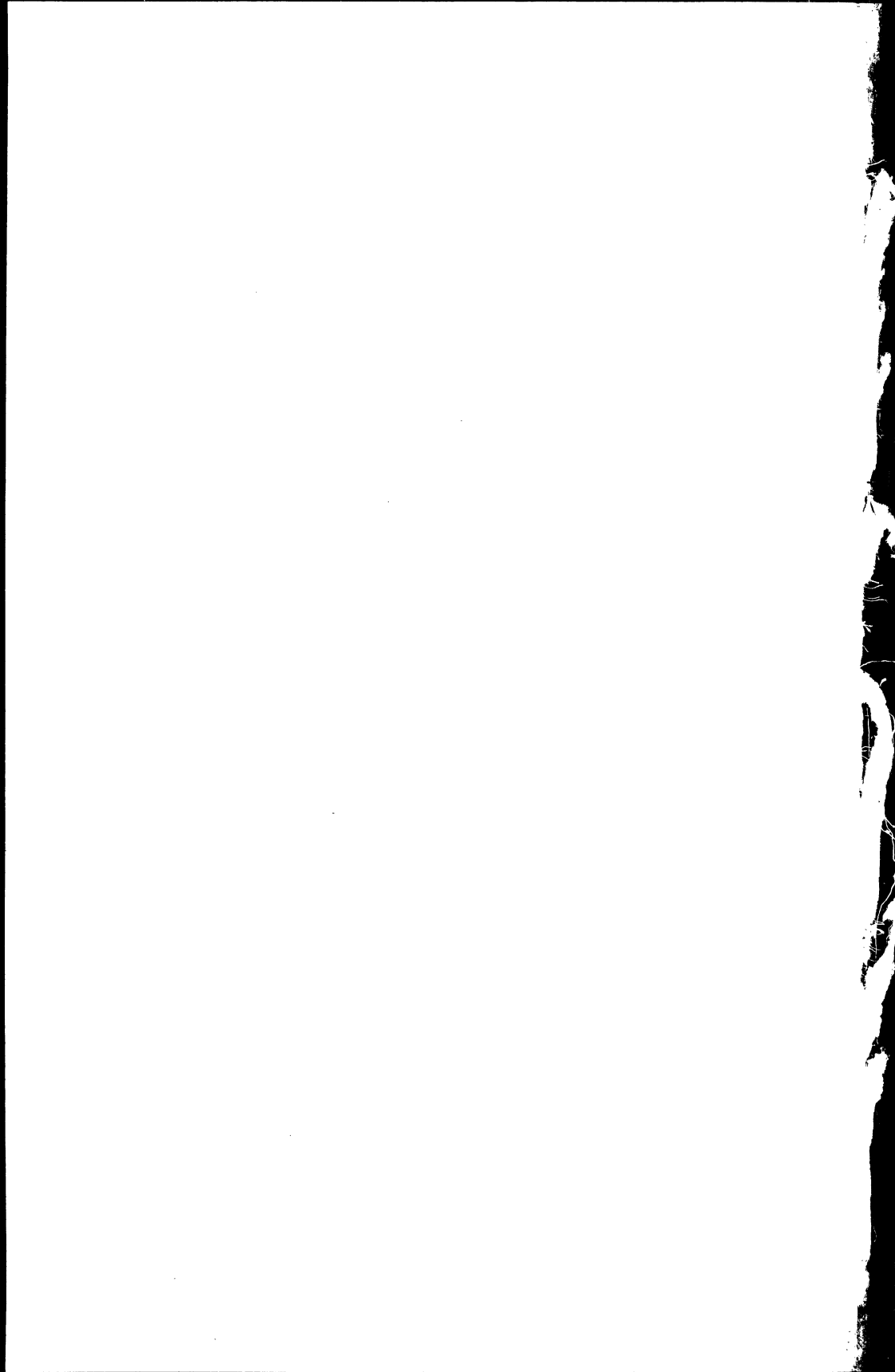


1935

Volume IV

THE AMERICAN
REPUBLICS

Department of State
Washington



Foreign Relations
of the
United States
Diplomatic Papers
1935

(In Four Volumes)

Volume IV
The American Republics



United States
Government Printing Office
Washington : 1953

DEPARTMENT OF STATE PUBLICATION 4954

DIVISION OF PUBLICATIONS

OFFICE OF PUBLIC AFFAIRS

For sale by the

Superintendent of Documents, U. S. Government Printing Office

Washington 25, D. C. Price \$4.00 (Buckram)

CONTENTS

	Page
LIST OF PAPERS	VII
GENERAL:	
Preliminaries to the Inter-American Conference for the Maintenance of Peace to be held at Buenos Aires in 1936	1
Chaco dispute between Bolivia and Paraguay:	
The Argentine-Chilean Mission	7
Proposed Chaco Economic Conference	28
The Mediation Group	46
The Chaco Peace Conference	91
Leticia dispute between Colombia and Peru	199
Pan American Commercial Conference held at Buenos Aires, May 26-June 19, 1935	218
Treaty between the United States and other American Republics for the protection of artistic and scientific institutions and historic monuments, April 15, 1935	219
Interpretation of article IV of the Habana Convention on Commercial Aviation adopted February 20, 1928:	
Guatemala	222
Mexico	229
Good offices of the United States in the reestablishment of diplomatic representation between Costa Rica and Guatemala	230
Cooperation of the United States with other Governments in the construction of the Inter-American Highway	241
ARGENTINA:	
Preliminary discussions respecting a trade agreement between the United States and Argentina	266
Representations to the Argentine Government respecting surcharge for importation of goods for which official exchange permits had not been accorded	269
Efforts to secure equitable treatment for American creditors in the servicing of Province of Buenos Aires bonds	280
Unperfected sanitary convention between the United States and Argentina, signed May 24, 1935	296
BRAZIL:	
Reciprocal trade agreement between the United States and Brazil, signed February 2, 1935	300
Representations regarding American blocked funds in Brazil	321
Promise by the Brazilian Government of support to the United States in case of conflict with Japan	387
Supplementary agreements further amending the agreement of May 10, 1934, as amended by the supplementary agreement of July 21 and 23, 1934, providing for a military mission from the United States to Brazil, effected by exchanges of notes, signed June 20 and October 29, 1935, and November 9 and December 16 and 19, 1935	388

CONTENTS

CHILE:		Page
Preliminary discussions respecting a trade agreement between the United States and Chile		389
Informal representations to the Chilean Government regarding alleged discrimination against American interests in letting contract for railroad cars		394
Efforts of the Department of State to secure equitable treatment for American interests with respect to Chilean exchange restrictions . .		398
Discrimination against foreigners in fees charged for registration of patents and trade marks in Chile		423
 COLOMBIA:		
Reciprocal trade agreement between the United States and Colombia, signed September 13, 1935		430
Informal representations to the Colombian Government regarding effects of Colombian-German exchange arrangements on American trade		442
 COSTA RICA:		
Negotiations respecting a trade agreement between the United States and Costa Rica		449
Representations to the Costa Rican Government in support of the claim of the Simmons Construction Company		464
 CUBA:		
Attitude of the United States Government towards the Cuban elections .		476
 DOMINICAN REPUBLIC:		
Efforts of the United States to protect American business interests in the Dominican Republic		478
 ECUADOR:		
Proposal for a <i>modus vivendi</i> between the United States and Ecuador providing for unconditional most-favored-nation treatment in commercial matters		506
Expression of concern by the United States Government regarding Ecuadoran fishing regulations purporting to extend the territorial waters of Ecuador beyond the three-mile limit		514
Interest of the United States in possible internationalization of the Galápagos Islands for the protection of fauna and for strategic reasons		517
Revolution in Ecuador		527
 EL SALVADOR:		
Negotiations respecting a reciprocal trade agreement between the United States and El Salvador		539
Informal assistance by the Department of State to representatives of the holders of Salvadoran bonds under the loan contract of June 24, 1922		568
 GUATEMALA:		
Negotiations respecting a reciprocal trade agreement between the United States and Guatemala		585
Attitude of the United States towards the continuance in office of the President of Guatemala beyond his constitutional term		614

CONTENTS

V

HAITI:	Page
Reciprocal trade agreement between the United States and Haiti, signed March 28, 1935	642
Good offices of the United States in effecting a renewal of the Franco-Haitian commercial agreement	650
Attitude of the United States towards the proposed Debachy loan contract	667
Sale of the Banque Nationale de la République d'Haiti by the National City Bank of New York to the Republic of Haiti	703
HONDURAS:	
Reciprocal trade agreement between the United States and Honduras, signed December 18, 1935	729
Reservation by Honduras of claim to sovereignty over Swan Islands described in Navy Department publication as under the dominion of the United States	750
MEXICO:	
Informal discussions with a view to the settlement of American agrarian claims against Mexico pending before the General Claims Commission	753
Concern of the United States respecting difficulties experienced by American petroleum interests in Mexico	764
Representations against further expropriation by the Mexican Government of lands owned by American citizens until authorization for payment be made	770
Attitude of the Government of the United States with respect to the religious situation in Mexico	782
Representations respecting interference with radio stations in the United States by stations in Mexico	806
Treaty between the United States and Mexico providing for assistance to and salvage of vessels in territorial waters, signed June 13, 1935 . .	813
NICARAGUA:	
Negotiations respecting a trade agreement between the United States and Nicaragua	814
Political unrest in Nicaragua; policy of the United States not to interfere in Nicaraguan internal affairs	842
PANAMA:	
Negotiations between the United States and Panama for the revision of the treaty of November 18, 1903	889
Objections by Panama to receiving payment of Panama Canal annuity in devalued dollars	911
PERU:	
Preliminary discussions respecting a trade agreement between the United States and Peru	932
URUGUAY:	
Preliminary discussions respecting a trade agreement between the United States and Uruguay	946
Representations respecting customs discriminations against American importations into Uruguay	949
Efforts of the Department of State to secure equitable treatment for American interests with respect to Uruguayan exchange restrictions	957
INDEX	977

LIST OF PAPERS

(Unless otherwise specified, the correspondence is *from* or *to* officials in the Department of State.)

PRELIMINARIES TO THE INTER-AMERICAN CONFERENCE FOR THE MAINTENANCE OF PEACE TO BE HELD AT BUENOS AIRES IN 1936

Date and number	Subject	Page
1935 July 25 (2764)	<i>From the Ambassador in Mexico</i> Information from Acting Foreign Minister that Mexican Ambassador at Washington, at President Roosevelt's request, had approached President Cárdenas concerning the possibility of holding an inter-American peace conference and that Cárdenas had expressed desire to cooperate in the matter.	1
Aug. 5 (820)	<i>To the Ambassador in Mexico</i> Advice that Acting Foreign Minister's information is accurate in general, but that since matter is still in the formative stage it must be treated as confidential.	1
Aug. 8 (95)	<i>From the Ambassador in Peru (tel.)</i> Information from Foreign Minister of President Benavides' acceptance of suggestions relative to proposed peace conference recently made by Mr. Welles to the Peruvian Ambassador in Washington.	2
Aug. 10 (4090)	<i>From the Ambassador in Peru</i> Peru's understanding that proposed conference will be held in Lima, and unwillingness to play role secondary to Argentina's.	3
Aug. 12 (66)	<i>To the Ambassador in Peru (tel.)</i> Indication that no reference has been made to seat of conference in recent Peruvian communication; instructions not to discuss any aspects of question.	4
Oct. 3 (2934)	<i>From the Ambassador in Mexico</i> Acting Foreign Minister's remarks concerning Argentina's position on the projected conference, and on President Roosevelt's decision to postpone invitations. (Note: Citations to related material printed in section on the Chaco dispute.)	5 6

CHACO DISPUTE BETWEEN BOLIVIA AND PARAGUAY THE ARGENTINE-CHILEAN MISSION

1935 Feb. 19 (22)	<i>From the Chargé in Chile (tel.)</i> Agreement of Chile and Argentina to send a special agent to Asunción and one to La Paz on a secret mission to attempt reconciliation of Bolivian-Paraguayan views before League sanctions become effective on February 24.	7
-------------------------	--	---

THE CHACO DISPUTE
THE ARGENTINE-CHILEAN MISSION—Continued

Date and number	Subject	Page
1935		
Feb. 20	<i>Memorandum by the Assistant Chief of the Division of Latin American Affairs</i> Conversation with Aranha, Brazilian Ambassador, who set forth his Government's view toward support of the secret mission, and expressed desire for U. S. view.	7
Feb. 21	<i>Memorandum by the Chief of the Division of Latin American Affairs</i> Conversation with the Minister-Counselor of the Brazilian Embassy, who referred further to the secret mission and gave his Government's view that its effort was doomed to failure.	8
Feb. 21 (12)	<i>From the Chargé in Paraguay (tel.)</i> Foreign Minister's advice that a Cabinet meeting will be held within a day or so to discuss the advisability of withdrawing from the League.	10
Feb. 23 (14)	<i>From the Chargé in Paraguay (tel.)</i> Information from Foreign Office that Paraguay has withdrawn from the League.	11
Feb. 25 (19)	<i>From the Chargé in Uruguay (tel.)</i> Foreign Minister's view that Paraguayan withdrawal from the League enhances the possibility of calling an inter-American conciliation conference to settle the Chaco conflict.	11
Feb. 28	<i>Memorandum by the Chief of the Division of Latin American Affairs</i> Conversation with Secretary of Chilean Embassy regarding his Government's request for U. S. good offices with members of the League to secure postponement of the Advisory Committee meeting scheduled for March 11 until success or failure of the Argentine-Chilean <i>démarche</i> had been determined.	12
Mar. 14 (15)	<i>From the Chargé in Argentina (tel.)</i> Foreign Minister's communication of a document (text printed) outlining the background of a new Argentine-Chilean peace approach.	13
Mar. 15	<i>Memorandum by the Assistant Secretary of State</i> Conversation with Aranha, Brazilian Ambassador, during which he communicated the details of the Argentine-Chilean peace proposals.	14
Mar. 18	<i>Memorandum by the Assistant Secretary of State</i> Conversation with Espil, the Argentine Ambassador, who communicated Foreign Minister's request for U. S. collaboration in the current <i>démarche</i> .	16
Mar. 18 (18)	<i>From the Chargé in Paraguay (tel.)</i> Paraguayan desire for U. S. and Uruguayan membership in any American mediation group that may be formed.	18
Mar. 18 (62)	<i>From the Chargé in Brazil (tel.)</i> Brazilian view on a recent Argentine-Chilean declaration alleging that Brazil and Peru will join in the prosecution of conciliation activities.	19
Mar. 19	<i>Memorandum by the Assistant Secretary of State</i> Conversation with Aranha concerning the Paraguayan desire for participation of Brazil, Uruguay, and the United States in any proposed mediation proceedings.	19

THE CHACO DISPUTE
THE ARGENTINE-CHILEAN MISSION—Continued

Date and number	Subject	Page
1935 Mar. 22 (31)	<i>From the Chargé in Chile (tel.)</i> Foreign Office memorandum (text printed) tracing developments which have occurred since initiation of peace negotiations.	20
Mar. 25 (13)	<i>To the Chargé in Chile (tel.)</i> Instructions to express to Foreign Minister Cruchaga Department's appreciation for the information contained in the Foreign Office memorandum.	22
Apr. 2	<i>Memorandum by the Assistant Secretary of State</i> Conversation with Espil regarding U. S. acceptance of the recent formal invitation extended by Argentina and Chile for participation in proposed mediation proceedings.	23
Apr. 4	<i>Memorandum by the Assistant Secretary of State</i> Conversation with Richling, the Uruguayan Minister, concerning his Government's failure to receive an invitation to participate in mediatory negotiations.	25
Apr. 6 (28)	<i>To the Chargé in Argentina (tel.)</i> Instructions to submit to Foreign Minister an <i>aide-mémoire</i> (text printed) accepting in general terms the Argentine-Chilean invitation. (The same, <i>mutatis mutandis</i> , to the Ambassador in Chile.)	26
Apr. 6 (48)	<i>To the Chargé in Brazil (tel.)</i> Instructions to advise Foreign Minister of U. S. reply to Argentina and Chile, and to express regret over Brazil's apparent reluctance to adopt the attitude taken by the United States in the matter.	27

PROPOSED CHACO ECONOMIC CONFERENCE

1935 Apr. 7 (82)	<i>From the Chargé in Brazil (tel.)</i> Outline of proposed Brazilian answer to Argentina and Chile, and advice of Brazil's resentment over being omitted from a list of neighboring states to be called together for a Chaco economic conference.	28
Apr. 7 (20)	<i>From the Chargé in Argentina (tel.)</i> Advice that <i>aide-mémoire</i> transmitted in Department's telegram No. 28, April 6, has been delivered to Foreign Minister Saavedra Lamas.	30
Apr. 8 (49)	<i>To the Chargé in Brazil (tel.)</i> Department's views in connection with Brazil's proposed answer to Argentina and Chile.	31
Apr. 9 (52)	<i>To the Chargé in Brazil (tel.)</i> Instructions to advise Foreign Minister of Argentina's assurance that Brazil was excluded from list of countries for the proposed economic conference solely because of a typographical error.	33
Apr. 10 (85)	<i>From the Chargé in Brazil (tel.)</i> Foreign Minister's observation that Argentina and Chile had done nothing to rectify the error, although their attention had been called to it some weeks ago.	33

THE CHACO DISPUTE
PROPOSED CHACO ECONOMIC CONFERENCE—Continued

Date and number	Subject	Page
1935 Apr. 11 (88)	<i>From the Chargé in Brazil (tel.)</i> Secretary-General's reference to the Brazilian answer as definitely leaving the door open.	33
Apr. 12 (31)	<i>To the Chargé in Argentina (tel.)</i> Instructions to communicate to the Foreign Minister Department's suggestion of a joint appeal to Brazil by Argentina, Chile, Peru, and the United States. (Similar telegram to the Ambassador in Chile.)	35
Apr. 12 (91)	<i>From the Chargé in Brazil (tel.)</i> Advice that the Argentine Ambassador has been instructed to notify the Brazilian Government of his Government's decision to withdraw from the mediation negotiations in view of the Brazilian attitude toward participating therein.	36
Apr. 13 (24)	<i>From the Chargé in Argentina (tel.)</i> Information that Department's suggestion contained in telegram No. 31, April 12, has been communicated to the Foreign Office.	37
Apr. 13 (46)	<i>From the Ambassador in Chile (tel.)</i> Foreign Minister Cruchaga's acceptance of Department's suggested joint appeal, and his proposal as to form which the appeal might take.	38
Apr. 17 (98)	<i>From the Chargé in Brazil (tel.)</i> Foreign Minister's advice that Argentine notification of withdrawal has been received, but only orally; also, that a Chilean note has been received urging Brazilian participation in the joint mediation effort.	38
Apr. 18 (23)	<i>To the Ambassador in Chile (tel.)</i> Instructions to advise Cruchaga as to the necessity for obtaining a response from Argentina before any further steps in the joint appeal matter are taken; views relative to form of appeal proposed by Cruchaga.	39
Apr. 18	<i>Memorandum by the Chief of the Division of Latin American Affairs</i> Conversation with Mr. Wiggin, First Secretary of the British Embassy, regarding possibility of a joint U. S.-British effort to secure Brazilian participation; conclusion that such action is not needed.	39
Apr. 19	<i>Memorandum by the Chief of the Division of Latin American Affairs</i> Further conversation with Mr. Wiggin, who referred to his Government's renewed suggestion for joint action.	40
Apr. 20 (57)	<i>To the Chargé in Brazil (tel.)</i> Brazilian Ambassador's account of developments in Brazil, including complicating action of the Foreign Minister; advice of the U. S. suggestion made to Argentina and Chile on April 12 for a joint appeal to Brazil.	41
Apr. 22 (59)	<i>To the Chargé in Brazil (tel.)</i> Aranha's communication of statement by President Vargas indicating that if the proposed joint appeal is made, Brazil will reconsider her attitude and definitely participate in negotiations.	43

THE CHACO DISPUTE
PROPOSED CHACO ECONOMIC CONFERENCE—Continued

Date and number	Subject	Page
1935 Apr. 26 (66)	<i>To the Chargé in Brazil (tel.)</i> Note (text printed) to be presented to the Foreign Minister jointly by the diplomatic representatives in Brazil of Argentina, Chile, Peru, and the United States.	43
May 2 (113)	<i>From the Chargé in Brazil (tel.)</i> Brazilian note dated May 1 (text printed) setting forth Government's willingness to participate.	45

THE MEDIATION GROUP

1935 May 3 (76)	<i>To the Chargé in Brazil (tel.)</i> Conversation with the Brazilian Ambassador concerning Foreign Minister's proposal for the holding of direct preliminary conversations in Rio de Janeiro between the Foreign Ministers of Bolivia and Paraguay before peace negotiations are undertaken in Buenos Aires.	46
May 6 (119)	<i>From the Chargé in Brazil (tel.)</i> Advice that Foreign Minister will not insist upon having the preliminary conversations held at Rio de Janeiro and is agreeable to having them at Buenos Aires.	48
May 7 (82)	<i>To the Chargé in Brazil (tel.)</i> Information that Department has advised the Governments of Argentina, Chile, Peru, and Paraguay that Brazil is willing to have the preliminary conversations held at Buenos Aires.	49
May 7 (28)	<i>To the Chargé in Chile (tel.)</i> Instructions to inform Foreign Minister Cruchaga of Brazilian proposal for preliminary conversations, and of U. S. intention to send a special representative to Buenos Aires to take part in the peace negotiations.	50
May 8 (55)	<i>From the Charge in Chile (tel.)</i> Cruchaga's approval of Brazil's proposal and his gratitude over U. S. plan to send a special representative.	51
May 8 (125)	<i>From the Chargé in Brazil (tel.)</i> Foreign Minister's belief that a truce proposal should be made to the Bolivian and Paraguayan Foreign Ministers when they meet for preliminary conversations.	52
May 9 (37)	<i>From the Chargé in Argentina (tel.)</i> Report on meeting conducted by Argentine Foreign Minister Saavedra Lamas with the Brazilian, Chilean, Peruvian and U. S. Ambassadors during which it was agreed that Uruguay would be invited to join the mediating group, and the United States the proposed economic conference.	53
May 9 (59)	<i>From the Chargé in Peru (tel.)</i> Foreign Minister's approval of proposed preliminary conversations, but his doubt that Peru will appoint a special delegate to the mediation negotiations.	54
May 10 (41)	<i>To the Chargé in Argentina (tel.)</i> Department's views relative to inclusion of Uruguay and Mexico in mediation group, and U. S. participation in proposed economic conference.	55

THE CHACO DISPUTE
THE MEDIATION GROUP—Continued

Date and number	Subject	Page
1935 May 11 (39)	<i>From the Chargé in Argentina (tel.)</i> Advice that Uruguay has joined the mediation group, that the United States will receive an invitation to the economic conference, and that a telegram (text printed) will be sent to the Bolivian and Paraguayan Foreign Ministers inviting them for direct discussions.	56
May 14 (44)	<i>To the Chargé in Argentina (tel.)</i> Department's attitude toward Bolivian insistence upon the inclusion of Mexico in the mediation commission.	58
May 14 (41)	<i>From the Chargé in Argentina (tel.)</i> Information that Paraguay has accepted invitation to come to Buenos Aires, that Bolivia's reply is expected shortly, and that Mexican inclusion in commission has been informally requested by the Bolivian Government.	59
May 15 (45)	<i>To the Chargé in Argentina (tel.)</i> Belief that a satisfactory adjustment of the question of Mexican representation might be arrived at through reconstitution of the original Committee of Nine.	60
May 16 (44)	<i>From the Chargé in Argentina (tel.)</i> Advice that Department's views on Mexican participation will be presented at the May 17 meeting of the commission.	60
May 17 (46)	<i>From the Ambassador in Argentina (tel.)</i> Bolivian unconditional acceptance of commission's invitation to come to Buenos Aires.	61
May 18 (47)	<i>From the Ambassador in Argentina (tel.)</i> Receipt of note urging U. S. collaboration in the economic conference.	61
May 18 (48)	<i>To the Ambassador in Argentina (tel.)</i> Notification that President Roosevelt has designated Hugh S. Gibson, American Ambassador in Brazil, as the special representative of the United States on the Chaco mediation commission.	62
May 20 (51)	<i>To the Ambassador in Argentina (tel.)</i> Outline of note to be delivered in reply to invitation to collaborate in economic conference; explanation of probable scope of U. S. participation in the conference.	62
May 22 (50)	<i>From the Ambassador in Argentina (tel.)</i> Commission's discussion of procedure to be followed in the forthcoming meetings with the Bolivian and Paraguayan Foreign Ministers.	63
May 27 (55)	<i>From the Ambassador in Argentina (tel.)</i> Submission of a truce proposal to Bolivian and Paraguayan representatives for communication to their Governments.	64
May 29 (57)	<i>From the Ambassador in Argentina (tel.)</i> Summary of Paraguayan reply to truce proposal and of observations on proposal submitted by the Bolivian Foreign Minister.	65
May 30 (58)	<i>From the Ambassador in Argentina (tel.)</i> Advice that a substitute truce formula (text printed) has been submitted to the Bolivian and Paraguayan representatives in an effort to harmonize the views already expressed.	66

THE CHACO DISPUTE
THE MEDIATION GROUP—Continued

Date and number	Subject	Page
1935 May 31 (62)	<i>To the Ambassador in Argentina (tel.)</i> Instructions relative to U. S. appointment of a representative on the commission of military experts to proceed to the Chaco in the event that a truce proposal is officially accepted by the belligerents.	67
June 1 (59)	<i>From the Ambassador in Argentina (tel.)</i> Advice that a second formula amplifying that transmitted in telegram No. 58, May 30, has been submitted to disputants.	67
June 3 (61)	<i>From the Ambassador in Argentina (tel.)</i> Expectation of agreement between Bolivia and Paraguay on formula as presently drafted (substance printed).	68
June 4 (32)	<i>From the Minister in Bolivia (tel.)</i> Foreign Minister's advice of Bolivian acceptance of agreement, with the modification that there be definite commitment by both parties to arbitration should direct negotiations fail.	70
June 4 (62)	<i>From the Ambassador in Argentina (tel.)</i> Advice that certain changes will have to be made in agreement in order to meet respective views of disputants.	70
June 5	<i>To the Argentine Minister for Foreign Affairs (tel.)</i> Acknowledgment of invitation for the Secretary's personal collaboration in peace negotiations, and expression of regret that invitation must be declined due to pressing official obligations.	70
June 5 (64)	<i>From the Ambassador in Argentina (tel.)</i> Summary of provisions contained in a Bolivian counterproposal.	71
June 6 (65)	<i>To the Ambassador in Argentina (tel.)</i> Department's receipt of information indicating Argentina's fear that mediation proceedings will break down as a result of Bolivia's counterproposal.	72
June 9 (71)	<i>From the Ambassador in Argentina (tel.)</i> <i>Ad referendum</i> agreement (text printed) reached between the Bolivian and Paraguayan Foreign Ministers.	73
June 11 (18)	<i>To the Chargé in Bolivia (tel.)</i> Instructions to indicate U. S. hope that the Bolivian Government will authorize unconditional acceptance of Buenos Aires Peace Protocol.	75
June 12 (75)	<i>From the Ambassador in Argentina (tel.)</i> From Gibson, U. S. special representative on Mediation Commission: Information that protocol will be signed, together with an additional protocol (text printed) relating to the dispatch of a neutral military commission to the Chaco.	76
June 12 (71)	<i>To the Ambassador in Argentina (tel.)</i> For Gibson: Instructions to express U. S. gratification over pacific solution of the Chaco dispute to members of the commission and the two Foreign Ministers following formal signature of the protocols.	76
June 12 (76)	<i>From the Ambassador in Argentina (tel.)</i> Signature of protocol by Bolivian and Paraguayan Foreign Ministers and members of Mediation Commission.	77

THE CHACO DISPUTE
THE MEDIATION GROUP—Continued

Date and number	Subject	Page
1935		
June 14 (73)	<i>To the Ambassador in Argentina (tel.)</i> For Gibson: Instructions to ascertain views of other members of Mediation Commission as to participation of additional American Republics in the peace conference provided for under terms of the recently concluded protocols.	77
June 16 (84)	<i>From the Ambassador in Argentina (tel.)</i> From Gibson: Outline of objections of Brazilian and Chilean Foreign Ministers to increased membership of peace conference; comments on attitude of Argentine officials.	78
June 17 (86)	<i>From the Ambassador in Argentina (tel.)</i> From Gibson: Brazilian Foreign Minister's desire to cooperate in whatever course is decided upon.	79
June 18 (77)	<i>To the Ambassador in Argentina (tel.)</i> For Gibson: Department's view that expanded membership of conference would serve to create necessary continental peace machinery for dealing with any future inter-American disputes.	80
June 19 (91)	<i>From the Ambassador in Argentina (tel.)</i> From Gibson: Indication that Chile would cooperate if the United States took the lead in the matter of extending membership.	82
June 21 (94)	<i>From the Ambassador in Argentina (tel.)</i> From Gibson: Conversation with Saavedra Lamas on the most desirable procedure to be followed by the conference, and the participation of additional countries therein.	82
June 22 (98)	<i>From the Ambassador in Argentina (tel.)</i> From Gibson: Advice that Protocols have been ratified and that a meeting of the mediatory group will be called immediately in order to request the Argentine President to issue invitations to the conference.	84
June 22 (86)	<i>To the Ambassador in Argentina (tel.)</i> For Gibson: Instructions to inform Saavedra Lamas of Department's approval of his suggestions as to procedure of conference; also to present to mediatory group the U. S. proposal for increased membership.	84
June 22 (99)	<i>From the Ambassador in Argentina (tel.)</i> From Gibson: Advice that mediatory group has expressed virtually unanimous opposition to increasing membership of the conference.	85
June 24 (88)	<i>To the Ambassador in Argentina (tel.)</i> For Gibson: Instructions for use as guidance in the event that further reference is made to the subject of expanded membership.	88
June 25 (103)	<i>From the Ambassador in Argentina (tel.)</i> From Gibson: Chilean plan as to procedure which conference might follow.	88
June 25 (104)	<i>From the Ambassador in Argentina (tel.)</i> From Gibson: Comments of Saavedra Lamas on inclusion of other American countries in conference, and also on Chilean plan for procedure of conference.	89

THE CHACO DISPUTE
THE MEDIATION GROUP—Continued

Date and number	Subject	Page
1935 June 27 (107)	<i>From the Ambassador in Argentina (tel.)</i> From Gibson: Advice that conference invitations will be issued shortly and that first meeting will be held on July 1.	90

THE CHACO PEACE CONFERENCE

1935 July 1	<i>To the Argentine Minister for Foreign Affairs (tel.)</i> Acknowledgment of invitation to the Peace Conference, and advice of President's appointment of Hugh Gibson, American Ambassador to Brazil, as U. S. delegate.	91
July 1 (110)	<i>From the Ambassador in Argentina (tel.)</i> From Gibson: Opening of Peace Conference and selection of Saavedra Lamas, Argentine Foreign Minister, as chairman.	91
July 2 (112)	<i>From the Ambassador in Argentina (tel.)</i> From Gibson: Conversation with Cruchaga, the Chilean Foreign Minister, as to what he proposed to do about his plan for procedure of the Conference.	92
July 2 (113)	<i>From the Ambassador in Argentina (tel.)</i> From Gibson: Summary of first business meeting of the Conference.	92
July 4 (117)	<i>From the Ambassador in Argentina (tel.)</i> From Gibson: Summary of third session of the Conference.	94
July 5	<i>Memorandum by the Chief of the Division of Mexican Affairs</i> Message delivered by the Counselor of the Mexican Embassy (text printed) indicating that Mexico would feel compelled to decline a Conference invitation if it were now extended.	94
July 6 (120)	<i>From the Ambassador in Argentina (tel.)</i> From Gibson: Résumé of some of the present difficulties within the Conference; outline of a suggested method for putting Conference on a more businesslike basis.	95
July 9 (101)	<i>To the Ambassador in Argentina (tel.)</i> For Gibson: Department's view that suggested method seems both desirable and practical.	97
July 12 (127)	<i>From the Ambassador in Argentina (tel.)</i> From Gibson: Report on Saavedra Lamas' discussion of his plans for Conference work.	97
July 15 (129)	<i>From the Ambassador in Argentina (tel.)</i> From Gibson: Saavedra Lamas' rejection of a League of Nations request for the dispatch of an observer to the Conference.	98
July 15 (130)	<i>From the Ambassador in Argentina (tel.)</i> From Gibson: Saavedra Lamas' assertions relative to possible Chilean grant to Bolivia of a port near Arica.	98
July 15 (132)	<i>From the Ambassador in Argentina (tel.)</i> From Gibson: Summary of fourth Conference session.	99

THE CHACO DISPUTE
THE CHACO PEACE CONFERENCE—Continued

Date and number	Subject	Page
1935		
July 16 (135)	<i>From the Ambassador in Argentina (tel.)</i> From Gibson: Expectation that Saavedra Lamas will make some reference in the Conference to possible U. S. financial aid for rehabilitation of the belligerent countries.	100
July 18 (104)	<i>To the Ambassador in Argentina (tel.)</i> For Gibson: Outline of Department's view on any possible proposal for U. S. financial aid, and instructions to express this view informally to Saavedra Lamas.	100
July 19 (139)	<i>From the Ambassador in Argentina (tel.)</i> From Gibson: Communication of Department's view to Saavedra Lamas.	101
July 19 (140)	<i>From the Ambassador in Argentina (tel.)</i> From Gibson: Conference discussion of the question of exchange and repatriation of prisoners.	101
July 20 (141)	<i>From the Ambassador in Argentina (tel.)</i> From Gibson: Advice that Saavedra Lamas is delaying Conference consideration of fundamental questions until he is certain that demobilization has been carried far enough to ensure against resumption of hostilities.	102
July 24 (150)	<i>From the Ambassador in Argentina (tel.)</i> From Gibson: Conference agreement on the manner in which the problem of boundary and territorial questions should be taken up.	103
July 24 (151)	<i>From the Ambassador in Argentina (tel.)</i> From Gibson: Possibility that a member of U. S. Supreme Court will be invited to act as president of a proposed mixed tribunal to be created for study of the question of responsibilities.	104
July 25 (110)	<i>To the Ambassador in Argentina (tel.)</i> For Gibson: Department's view as to probability of invitation's being accepted by a U. S. Supreme Court Justice.	104
July 26 (154)	<i>From the Ambassador in Argentina (tel.)</i> From Gibson: Résumé of seventh Conference session.	105
July 29 (156)	<i>From the Ambassador in Argentina (tel.)</i> From Gibson: Summary of recent developments in the relationship between Saavedra Lamas and Conference delegates in general and the committee set up to deal with prisoners of war in particular.	105
July 31 (161)	<i>From the Ambassador in Argentina (tel.)</i> From Gibson: Report on eighth Conference session, during which both Paraguayan and Bolivian views on the territorial question were presented.	108
Aug. 1 (53)	<i>From the Chargé in Paraguay (tel.)</i> Information of the forthcoming discussion of the Bolivian-Paraguayan boundary by field generals of those countries.	110
Aug. 2 (163)	<i>From the Ambassador in Argentina (tel.)</i> From Gibson: Review of items of business in Conference's ninth session.	110

THE CHACO DISPUTE

THE CHACO PEACE CONFERENCE—Continued

Date and number	Subject	Page
1935		
Aug. 3 (164)	<i>From the Ambassador in Argentina (tel.)</i> From Gibson: Report on lengthy discussion of Conference problems with Saavedra Lamas and Rodriguez Alvez, Brazil's chief delegate.	111
Aug. 7 (54)	<i>From the Chargé in Paraguay (tel.)</i> Conversation with President Ayala relative to his plans for holding a meeting with the Bolivian President, and as to the results of conversations between Bolivian and Paraguayan field generals.	113
Aug. 11 (168)	<i>From the Ambassador in Argentina (tel.)</i> From Gibson: Substance of draft agreement on prisoners of war which Bolivian and Paraguayan delegates have referred to their Governments; hope that Department will urge acceptance of agreement at La Paz and Asunción.	114
Aug. 11 (169)	<i>From the Ambassador in Argentina (tel.)</i> From Gibson: Details of efforts to produce an agreement on prisoners of war, and of developments relative to the territorial question.	116
Aug. 12 (15)	<i>To the Chargé in Paraguay (tel.)</i> Instructions to express orally to Foreign Minister U. S. hope for his Government's acceptance of draft agreement on prisoners of war without change. (Footnote: The same, <i>mutatis mutandis</i> , to the Minister in Bolivia.)	118
Aug. 12 (173)	<i>From the Ambassador in Argentina (tel.)</i> From Gibson: Information of Bolivia's formal note proposing fundamental changes in draft agreement.	118
Aug. 13 (55)	<i>From the Chargé in Paraguay (tel.)</i> Advice that Paraguayan Government has not yet received the draft agreement but that following receipt thereof, the Acting Foreign Minister will convey his Government's attitude.	119
Aug. 13 (50)	<i>From the Minister in Bolivia (tel.)</i> Bolivian preference that matter of exchange of prisoners be held over rather than settled on the basis of the draft agreement.	119
Aug. 13 (174)	<i>From the Ambassador in Argentina (tel.)</i> From Gibson: Bolivian maintenance of adamant position on draft agreement, also her unwillingness to agree to the constitution of a war responsibilities tribunal at the present time.	120
Aug. 14 (175)	<i>From the Ambassador in Argentina (tel.)</i> From Gibson: Clarification of events leading up to formulation of draft agreement.	122
Aug. 14 (51)	<i>From the Minister in Bolivia (tel.)</i> Advice that Bolivian delegate did not refer the draft agreement to his Government, but telegraphed that he deemed its provisions too much at variance with his instructions to do so.	124
Aug. 14 (178)	<i>From the Ambassador in Argentina (tel.)</i> From Gibson: Report on meeting of mediatory delegates with Saavedra Lamas to discuss future work of the Conference.	124

THE CHACO DISPUTE
THE CHACO PEACE CONFERENCE—Continued

Date and number	Subject	Page
1935 Aug. 15 (179)	<i>From the Ambassador in Argentina (tel.)</i> From Gibson: Excerpt from Bolivian note referred to in telegram No. 173, August 12, which tends to refute the information transmitted in telegram No. 51, August 14, from the Minister in Bolivia.	125
Aug. 16 (52)	<i>From the Minister in Bolivia (tel.)</i> Further indications that the August 10 draft was not submitted to the Bolivian Government.	126
Aug. 16 (180)	<i>From the Ambassador in Argentina (tel.)</i> From Gibson: Conversation with Bolivian delegate concerning his future intentions.	126
Aug. 16 (181)	<i>From the Ambassador in Argentina (tel.)</i> From Gibson: Summary of tenth session of the Conference.	127
Aug. 27 (203)	<i>From the Ambassador in Brazil (tel.)</i> Gibson's suggestion of a modified version of Cruchaga's earlier proposal (reported in telegram No. 103, June 25) as offering some hope of successful solution of the Chaco difficulties in the future.	128
Aug. 28 (191)	<i>From the Ambassador in Argentina (tel.)</i> From Allan Dawson, assistant to Gibson: Advice of Bolivian and Paraguayan replies to a new proposal for solution of the prisoner of war problem.	130
Sept. 2 (194)	<i>From the Ambassador in Argentina (tel.)</i> From Dawson: Summary of informal conference held with Bolivian and Paraguayan delegates on prisoner of war and territorial problems.	131
Sept. 3 (213)	<i>From the Ambassador in Brazil (tel.)</i> Views regarding proposed visit to Asunción of Argentine and Brazilian chief delegates for the purpose of urging the President of Paraguay to make certain territorial concessions.	133
Sept. 5 (197)	<i>From the Ambassador in Argentina (tel.)</i> From Dawson: Paraguayan position on definition of a boundary line.	134
Sept. 9 (218)	<i>From the Ambassador in Brazil (tel.)</i> Conversation with Bolivian Chargé who requested support for a resolution on prisoners of war which his Government intends to have introduced into the forthcoming meeting of the Red Cross Conference.	135
Sept. 10 (221)	<i>From the Ambassador in Brazil (tel.)</i> Foreign Minister's view that any discussion of the proposed Bolivian resolution by the Red Cross Conference would probably end possibilities of success of Chaco Conference.	135
Sept. 10 (201)	<i>From the Ambassador in Argentina (tel.)</i> From Dawson: Conversation with Bolivian delegate, who was told that introduction of his Government's resolution would doubtless endanger present negotiations on territorial problem.	136
Sept. 11 (146)	<i>To the Ambassador in Brazil (tel.)</i> Instructions to take up matter of resolution with the American delegation to the Red Cross Conference with view to preventing its support.	137

THE CHACO DISPUTE
THE CHACO PEACE CONFERENCE—Continued

Date and number	Subject	Page
1935 Sept. 12 (224)	<i>From the Ambassador in Brazil (tel.)</i> View that American stand on the Bolivian resolution would be strengthened if Department were to send a telegram of instructions to the Chairman of the American delegation.	138
Sept. 13 (227)	<i>From the Ambassador in Brazil (tel.)</i> Advice that Secretary General of Foreign Office has attempted to dissuade the Bolivian Chargé from persisting in his attempt to gain Conference consideration of the resolution.	138
Sept. 14 (147)	<i>To the Ambassador in Brazil (tel.)</i> Instructions to deliver message (text printed) in connection with Bolivia's resolution, to Chairman of the American delegation to the Red Cross Conference.	139
Sept. 14 (204)	<i>From the Ambassador in Argentina (tel.)</i> From Dawson: New proposal submitted to Bolivian and Paraguayan delegations by the Committee on Prisoners of War.	139
Sept. 14 (205)	<i>From the Ambassador in Argentina (tel.)</i> From Dawson: Peruvian delegate's submission to Bolivian and Paraguayan delegations of proposal for establishment of war responsibility tribunal.	140
Sept. 18 (209)	<i>From the Ambassador in Argentina (tel.)</i> From Dawson: Saavedra Lamas' plans for calling a plenary session of the Conference; Paraguayan reply to proposal made by the Committee on Prisoners of War.	140
Sept. 20 (239)	<i>From the Ambassador in Brazil (tel.)</i> American delegation's certainty that no resolution on prisoners of war will be introduced in the Red Cross Conference.	141
Sept. 20 (212)	<i>From the Ambassador in Argentina (tel.)</i> From Dawson: Summary of eleventh session of the Peace Conference.	142
Sept. 21 (156)	<i>To the Ambassador in Brazil (tel.)</i> Belief that Gibson should return to Buenos Aires on or about September 28; favorable attitude toward Gibson's modification of the Cruchaga plan.	142
Sept. 21 (214)	<i>From the Ambassador in Argentina (tel.)</i> From Dawson: Paraguayan reluctance to modify her previously expressed position on the boundary line.	143
Sept. 21 (215)	<i>From the Ambassador in Argentina (tel.)</i> From Dawson: Request for Department's views as to designation of a U. S. Supreme Court Justice to serve on the newly established Commission on War Responsibility.	144
Sept. 23 (241)	<i>From the Ambassador in Brazil (tel.)</i> Discussion of Foreign Minister's plan for solution of the Chaco matter; intention to arrive in Buenos Aires on September 27, but hope for appointment of a second delegate as a replacement.	145
Sept. 23 (127)	<i>To the Ambassador in Argentina (tel.)</i> For Dawson: Department's opinion that the magnitude of tasks before the Supreme Court may prevent participation of a U. S. Justice in the work of the Commission on War Responsibility.	147

THE CHACO DISPUTE
THE CHACO PEACE CONFERENCE—Continued

Date and number	Subject	Page
1935 Sept. 24 (216)	<i>From the Ambassador in Argentina (tel.)</i> From Dawson: Bolivian reply to proposal made by Prisoners of War Committee referred to in telegram No. 204, September 14.	148
Sept. 24 (217)	<i>From the Ambassador in Argentina (tel.)</i> From Dawson: Saavedra Lamas' fear that Bolivia and Paraguay will not accept his draft resolution for establishment of the War Responsibility Commission if provision for an American presiding judge cannot be included therein.	148
Sept. 25 (130)	<i>To the Ambassador in Argentina (tel.)</i> For Dawson: Suggestion that Saavedra Lamas consider including in his resolution an alternative category such as "an eminent jurist of the United States."	149
Sept. 26 (131)	<i>To the Ambassador in Argentina (tel.)</i> For Dawson: Advice of Argentine Ambassador's efforts to gain Department's approval of Saavedra Lamas' proposed composition of the Commission on War Responsibility.	149
Sept. 28 (223)	<i>From the Ambassador in Argentina (tel.)</i> From Gibson: Information as to wording of Commission resolution adopted by the Conference at its twelfth plenary session.	150
Oct. 1 (224)	<i>From the Ambassador in Argentina (tel.)</i> From Gibson: Résumé of latest meeting of the neutrals.	151
Oct. 2 (227)	<i>From the Ambassador in Argentina (tel.)</i> From Gibson: Advice of neutrals' decision to postpone declaring the war at an end pending the arrival of members of the Neutral Military Commission; also of signature of Protocol establishing Tribunal on War Responsibility.	151
Oct. 4 (230)	<i>From the Ambassador in Argentina (tel.)</i> From Gibson: Summary of a plan for a treaty between Bolivia and Paraguay prepared in collaboration with the Argentine and Brazilian chief delegates.	152
Oct. 4 (231)	<i>From the Ambassador in Argentina (tel.)</i> From Gibson: Information relative to a possible visit of the Bolivian delegate to Rio de Janeiro for private conversations with the Brazilian Foreign Minister.	154
Oct. 5 (232)	<i>From the Ambassador in Argentina (tel.)</i> From Gibson: Outline of background for proposal referred to in telegram No. 230, October 4, and of procedure contemplated in connection with its presentation to the Conference and to the disputants.	155
Oct. 7 (136)	<i>To the Ambassador in Argentina (tel.)</i> For Gibson: Approval of proposal and willingness to support it at Asunción and La Paz.	156
Oct. 8 (234)	<i>From the Ambassador in Argentina (tel.)</i> From Gibson: Views as to proposal's chances of success.	157
Oct. 8 (235)	<i>From the Ambassador in Argentina (tel.)</i> From Gibson: Brazilian Foreign Minister's approval of proposal.	158

THE CHACO DISPUTE
THE CHACO PEACE CONFERENCE—Continued

Date and number	Subject	Page
1935 Oct. 8 (236)	<i>From the Ambassador in Argentina (tel.)</i> From Gibson: Report on mediators' meeting with senior members of Neutral Military Commission.	158
Oct. 11 (242)	<i>From the Ambassador in Argentina (tel.)</i> From Gibson: Mediatory group's receipt of advice that Chilean Foreign Minister Cruchaga refuses to support proposal.	159
Oct. 11 (243)	<i>From the Ambassador in Argentina (tel.)</i> From Gibson: Information that Cruchaga has agreed to give his support to the proposal providing it is presented in a less formal manner to the disputants.	160
Oct. 12 (244)	<i>From the Ambassador in Argentina (tel.)</i> From Gibson: Saavedra Lamas' fear of the imminent collapse of present Conference negotiations, and his opinion that a general conference of all American states should be called.	160
Oct. 17 (26)	<i>To the Chargé in Bolivia (tel.)</i> Instructions to express orally to Foreign Minister U. S. hope for his Government's acceptance of the proposal which, it is understood, was presented to the disputants on October 15.	161
Oct. 17 (16)	<i>To the Minister in Paraguay (tel.)</i> Instructions to express to Foreign Minister U. S. hope for Paraguayan acceptance of proposal.	162
Oct. 17 (144)	<i>To the Ambassador in Argentina (tel.)</i> For Gibson: Outline of Department's views relative to Saavedra Lamas' attitude in connection with a general conference referred to in telegram No. 244, October 12.	163
Oct. 18 (247)	<i>From the Ambassador in Argentina (tel.)</i> From Gibson: Saavedra Lamas' intention now to abandon all thought of a general conference in order to devote himself to the present effort.	165
Oct. 18 (248)	<i>From the Ambassador in Argentina (tel.)</i> From Gibson: Paraguayan delegates' attitude that proposal is not worthy of submission to their Government; more reasonable attitude of the Bolivian chief delegate.	165
Oct. 19 (249)	<i>From the Ambassador in Argentina (tel.)</i> From Gibson: Expression of concern over Paraguay's uncompromising attitude, and request for Department's views thereon.	166
Oct. 21 (145)	<i>To the Ambassador in Argentina (tel.)</i> For Gibson: Views as requested.	168
Oct. 24 (256)	<i>From the Ambassador in Argentina (tel.)</i> From Gibson: Report that Conference cannot much longer delay declaring the war at an end, and that a neutral body will be formed to police the lines of separation in the Chaco following lapsing of powers of the Neutral Military Commission.	169
Oct. 26 (261)	<i>From the Ambassador in Argentina (tel.)</i> From Gibson: Mediators' agreement upon text of declaration that war is at an end.	170
Oct. 28 (263)	<i>From the Ambassador in Argentina (tel.)</i> From Gibson: Conference adoption of resolution declaring war at an end.	170

THE CHACO DISPUTE
THE CHACO PEACE CONFERENCE—Continued

Date and number	Subject	Page
1935		
Oct. 30 (153)	<i>To the Ambassador in Argentina (tel.)</i> For Gibson: Advice from Paraguayan Minister that Paraguayan reply to the October 15 proposal will leave the way open for a continuation of negotiations.	170
Oct. 30 (267)	<i>From the Ambassador in Argentina (tel.)</i> From Gibson: Belief that Conference should adjourn in view of receipt of information indicating that disputants' replies to proposal will constitute rejection; comments on possible future activity toward settlement of the Chaco problem.	171
Oct. 31 (156)	<i>To the Ambassador in Argentina (tel.)</i> For Gibson: Department's belief that it is highly undesirable to consider adjourning the Conference for any protracted period.	172
Nov. 1 (268)	<i>From the Ambassador in Argentina (tel.)</i> From Gibson: Advice of neutrals' willingness to remain in session if the Bolivian and Paraguayan replies to the proposal show any possibilities of direct agreement.	174
Nov. 6 (270)	<i>From the Ambassador in Argentina (tel.)</i> From Gibson: Summary of Bolivian and Paraguayan replies.	174
Nov. 7 (271)	<i>From the Ambassador in Argentina (tel.)</i> From Gibson: Belief that Conference should adjourn in view of the uncompromising nature of disputants' replies.	176
Nov. 11 (158)	<i>To the Ambassador in Argentina (tel.)</i> For Gibson: Department's view that if the Conference can solve the prisoner exchange problem, it might then be most practical to adjourn subject to call of the chairman.	178
Nov. 13 (274)	<i>From the Ambassador in Argentina (tel.)</i> Arrival of Spruille Braden, additional U. S. delegate to the Conference.	179
Nov. 15 (279)	<i>From the Ambassador in Argentina (tel.)</i> From Gibson: Information as to formula which has been worked out for solution of the prisoner question; further remarks on possible adjournment.	179
Nov. 23 (283)	<i>From the Ambassador in Argentina (tel.)</i> From Braden: Advice that Paraguay has accepted the prisoner and security formula <i>ad referendum</i> , but that Bolivia has expressed unyielding opposition; importance of political questions in the situation.	182
Nov. 30 (290)	<i>From the Ambassador in Argentina (tel.)</i> From Braden: Information that two documents covering the prisoner and security questions have been submitted to the Bolivian and Paraguayan delegations.	184
Dec. 4 (293)	<i>From the Ambassador in Argentina (tel.)</i> From Braden: Transmission by Bolivian and Paraguayan delegations of agreed-on formula to their Governments; transmission of formula to the Department and Rio de Janeiro.	185
Dec. 6 (294)	<i>From the Ambassador in Argentina (tel.)</i> From Braden: Summary of Bolivian and Paraguayan replies to the latest Conference formula on prisoners and security measures.	185

THE CHACO DISPUTE
THE CHACO PEACE CONFERENCE—Continued

Date and number	Subject	Page
1935 Dec. 11 (172)	<i>To the Ambassador in Argentina (tel.)</i> For Braden: Advice of Department's efforts to gain Bolivian and Paraguayan consent to joint concessions in the matter of the net payment to be made by Bolivia to Paraguay for maintenance, etc., of prisoners.	187
Dec. 12 (76)	<i>From the Minister in Paraguay (tel.)</i> Foreign Minister's comments on the primary importance of security to Paraguay, and the secondary importance of Bolivian payments for the maintenance and repatriation of prisoners.	187
Dec. 12 (60)	<i>From the Chargé in Bolivia (tel.)</i> President's fear of political repercussions if his Government should accept formula's stated financial terms; advice that Bolivian delegation has been authorized to accept security formula.	188
Dec. 12 (295)	<i>From the Ambassador in Argentina (tel.)</i> From Braden: Possible adjournment of Conference because of Paraguay's recalcitrant stand on the prisoner question; plans for further efforts by the neutrals.	188
Dec. 14 (177)	<i>To the Ambassador in Argentina (tel.)</i> For Braden: Belief that adjournment without solution of prisoner and security questions would be regrettable.	192
Dec. 16 (297)	<i>From the Ambassador in Argentina (tel.)</i> From Braden: Summary of present situation, and request for authorization to proceed to Asunción (as urged by Saavedra Lamas and the Paraguayans) in an effort to give President Ayala a full picture of the situation, with a view to possible solution of the prisoner and security questions.	192
Dec. 18 (178)	<i>To the Ambassador in Argentina (tel.)</i> For Braden: Instructions not to undertake the mission unless accompanied by the Brazilian delegate.	195
Dec. 19 (212)	<i>To the Ambassador in Brazil (tel.)</i> Instructions to express to Foreign Minister U. S. hope that Brazilian delegate may be authorized to accompany Braden on proposed peace mission to Asunción.	196
Dec. 20 (344)	<i>From the Ambassador in Brazil (tel.)</i> Granting of authorization to the Brazilian delegate by the Foreign Minister.	196
Dec. 20 (300)	<i>From the Ambassador in Argentina (tel.)</i> From Braden: Advice of the forthcoming departure for Asunción of members of the peace mission.	196
Dec. 24 (303)	<i>From the Ambassador in Argentina (tel.)</i> From Braden: Information that a new formula has been drafted based on concessions secured from Ayala.	197
Dec. 30 (305)	<i>From the Ambassador in Argentina (tel.)</i> From Braden: Account of difficulties encountered following submission of formula to the Bolivian and Paraguayan delegations.	197

LETICIA DISPUTE BETWEEN COLOMBIA AND PERU

Date and number	Subject	Page
1935		
Jan. 1 (1)	<i>From the Chargé in Colombia (tel.)</i> Colombian Senate's failure to approve the Rio Pact of May 24, 1934, so that ratifications could be exchanged with Peru on December 31.	199
Jan. 3 (3)	<i>From the Chargé in Colombia (tel.)</i> Advice that Pact's future is uncertain due to the Colombian Senate's election of a new president from the ranks of the conservative opposition party.	199
Jan. 8 (6)	<i>From the Chargé in Colombia (tel.)</i> Information that British Minister has urged his Government to ask the League of Nations to request Peru's consent to extension of time limit for exchange of ratifications of the Rio Pact, and to request Colombian ratification of the Pact before January 31.	200
Jan. 11 (7)	<i>From the Chargé in Colombia (tel.)</i> British Minister's receipt of his Government's suggestions relative to ratification procedure; ex-President Olaya's intention to urge positive action by President López.	201
Jan. 12 (9)	<i>From the Consul at Geneva (tel.)</i> Peru's formal notification to the League of Colombian failure to ratify the Pact before December 31.	202
Jan. 14 (11)	<i>From the Consul at Geneva (tel.)</i> Advice that League Committee of Three will give consideration to the convoking of the Leticia Advisory Committee to consider Colombia's nonratification of the Pact.	202
Jan. 14 (6)	<i>To the Ambassador in Brazil (tel.)</i> Advice as to possible convocation of Leticia Advisory Committee and U. S. collaboration therewith.	203
Jan. 16 (510)	<i>From the Chargé in Colombia</i> Conversation with ex-President Olaya, who gave an account of his interview with President López on the prospects of early ratification of the Pact.	204
Jan. 24	<i>Memorandum by the Under Secretary of State</i> Conversation with Peruvian Ambassador, who inquired as to possible U. S. representations at Bogotá for Colombian ratification.	205
Jan. 24	<i>Memorandum by the Chief of the Division of Latin American Affairs to the Under Secretary of State</i> Suggested reply to be made to the Peruvian Ambassador's inquiry.	206
Jan. 24 (13)	<i>From the Chargé in Colombia (tel.)</i> Advice of British, French, and Italian representations to Colombian Government urging ratification of the Pact.	206
Jan. 25	<i>Memorandum by the Under Secretary of State</i> Account of conversation with Peruvian Ambassador, during which answer was made to his inquiry of January 24.	208
Feb. 1 (18)	<i>From the Chargé in Colombia (tel.)</i> Conversation with Dr. Olaya regarding a possible solution of the Pact problem.	208
Feb. 5 (19)	<i>From the Chargé in Colombia (tel.)</i> Further conversation with Olaya, who, having accepted the post of Foreign Minister, outlined the course he plans to follow in regard to the Pact.	209

THE LETICIA DISPUTE—Continued

Date and number	Subject	Page
1935		
Feb. 5 (20)	<i>From the Chargé in Colombia (tel.)</i> Foreign Minister Olaya's inquiry as to a possible U. S. approach to the former Brazilian Foreign Minister in an effort to obtain clarification of a recent statement made by him to the Colombian Minister at Rio de Janeiro.	210
Feb. 6 (21)	<i>From the Chargé in Colombia (tel.)</i> Advice that Colombian Senate has postponed voting on the Pact as a result of an opposition proposal for a compromise formula.	211
Feb. 6 (12)	<i>To the Chargé in Colombia (tel.)</i> Views on Olaya's inquiry forwarded in the Chargé's telegram No. 20 of February 5.	211
Feb. 7 (24)	<i>From the Chargé in Colombia (tel.)</i> Failure of Senate to ratify Pact and adjournment of Congress by Presidential decree.	212
Feb. 7 (15)	<i>From the Ambassador in Peru (tel.)</i> Peruvian reaction to Colombian Senate's vote against ratification.	212
Feb. 11 (20)	<i>From the Ambassador in Peru (tel.)</i> Outline of Peru's reply to a Colombian request for prolongation of the period in which ratification may be accomplished.	212
Feb. 11	<i>Memorandum by the Chief of the Division of Latin American Affairs</i> Conversation with the Peruvian Ambassador, who communicated the substance of his Government's reply to Colombia's recent request.	213
Mar. 6 (1193 Pol.)	<i>From the Consul at Geneva</i> Transmittal of League of Nations document dated March 4 (text printed) containing Colombia's notification of agreement reached with Peru on extension of the time limit for exchange of ratifications to November 30.	214
July 23 (69)	<i>From the Minister in Colombia (tel.)</i> Advice that Pact has been submitted to the Senate and referred to the Foreign Relations Committee for report.	216
Aug. 22 (78)	<i>From the Minister in Colombia (tel.)</i> Information that Pact has been approved by the Senate but that it must further secure the approval of the Chamber of Representatives.	216
Sept. 17 (81)	<i>From the Minister in Colombia (tel.)</i> Approval of Chamber of Representatives.	216
Sept. 27 (86)	<i>From the Minister in Colombia (tel.)</i> Notice that ratifications have been exchanged.	216
Sept. 30 (401)	<i>From the Consul at Geneva (tel.)</i> League's regard of Colombia-Peru dispute as technically closed, upon receipt of notice that ratifications of Pact were deposited on September 27.	217

PAN AMERICAN COMMERCIAL CONFERENCE HELD AT BUENOS
AIRES, MAY 26-JUNE 19, 1935

Date and number	Subject	Page
1935	(Bibliographical note and citation to texts of conventions adopted by Conference and signed by the United States.)	218

TREATY BETWEEN THE UNITED STATES AND OTHER AMERICAN
REPUBLICS FOR THE PROTECTION OF ARTISTIC AND SCIENTIFIC
INSTITUTIONS AND HISTORIC MONUMENTS, APRIL 15,
1935

1935 Apr. 15	<i>Treaty Between the United States and Other American Republics for the Protection of Artistic and Scientific Institutions and Historic Monuments, Signed at Washington</i> Text of treaty.	219
-----------------	---	-----

INTERPRETATION OF ARTICLE IV OF THE HABANA CONVENTION
ON COMMERCIAL AVIATION ADOPTED FEBRUARY 20, 1928

GUATEMALA

1935 Feb. 23 (544)	<i>From the Minister in Guatemala</i> Opinion set forth by the Guatemalan General Bureau of Civil Aeronautics in interpretation of article IV of the Habana Convention.	222
Apr. 6 (180)	<i>To the Minister in Guatemala</i> Views on opinion rendered by the General Bureau of Civil Aeronautics.	224
May 29 (664)	<i>From the Minister in Guatemala</i> Foreign Office note of May 27 (text printed) accepting procedure proposed by the United States regarding right of entry of civil aircraft under terms of the Habana Convention.	226
June 17 (204)	<i>To the Chargé in Guatemala</i> Appreciation for Legation's assistance in reaching an understanding with Guatemala on the right of entry question.	228

MEXICO

1935 Apr. 18 (2466)	<i>From the Chargé in Mexico</i> Indication that an impasse has been reached in U. S.-Mexican efforts to arrive at an understanding on the interpretation of article IV of the Habana Convention, and request for instructions as to further course of action. (Footnote: Information that no further instruction has been found in Department files.)	229
---------------------------	--	-----

GOOD OFFICES OF THE UNITED STATES IN THE REESTABLISHMENT OF DIPLOMATIC REPRESENTATION BETWEEN COSTA RICA AND GUATEMALA

Date and number	Subject	Page
1934 Dec. 7 (534)	<i>From the Minister in Costa Rica</i> Transmittal of letter received from President Jiménez seeking the good offices of the U. S. Minister in Guatemala in informing President Ubico that Costa Rica entertains no hostile or unfriendly sentiments toward his country.	230
Dec. 19 (118)	<i>To the Minister in Costa Rica</i> Advice that copy of Jiménez' letter has been forwarded to the Minister in Guatemala, together with instructions to explain Costa Rica's viewpoint to President Ubico.	231
Dec. 19 (121)	<i>To the Minister in Guatemala</i> Transmittal of copy of Jiménez' letter, and authorization to present his viewpoint to President Ubico and to suggest arrangement for exchange of diplomatic representatives with Costa Rica.	232
1935 Feb. 8 (427)	<i>From the Minister in Guatemala</i> President Ubico's willingness to arrange for exchange of diplomatic representatives with Costa Rica.	232
Feb. 22 (9)	<i>From the Minister in Costa Rica (tel.)</i> Telegram to Guatemala (text printed) notifying the American Minister that Costa Rica's Foreign Minister plans to request <i>agrément</i> for the new Costa Rican envoy to Guatemala.	234
Undated [Rec'd Feb. 27] (6)	<i>From the Minister in Guatemala (tel.)</i> Telegram to Costa Rica (text printed) advising that the Guatemalan Foreign Minister will reciprocate upon receipt of the Costa Rican request.	234
Feb. 28 (10)	<i>From the Minister in Costa Rica (tel.)</i> Telegram to Guatemala (text printed) informing Minister Hanna of Costa Rica's desire for delay in the matter of requests for <i>agrément</i> , and of Government's understanding of procedure to be followed when requests are made.	235
Feb. 28 (7)	<i>From the Minister in Guatemala (tel.)</i> Telegram to Costa Rica (text printed) advising that the Guatemalan Foreign Minister has been apprised of Costa Rica's request for delay.	235
Feb. 28 (8)	<i>From the Minister in Guatemala (tel.)</i> Request for authorization to propose the procedure outlined in telegram No. 10, February 28, from the Minister in Costa Rica, as a suggestion of the U. S. Secretary of State.	236
Mar. 1 (7)	<i>To the Minister in Guatemala (tel.)</i> Instructions to express to President Ubico Department's belief in the reasonableness of the suggested procedure for simultaneous notification.	236
Mar. 9 (7)	<i>To the Minister in Costa Rica (tel.)</i> Telegram from Guatemala (text printed) advising of President Ubico's acceptance of the procedure.	237
Mar. 9 (564)	<i>From the Minister in Guatemala</i> Report on the difficulties encountered prior to President Ubico's acceptance.	237

GOOD OFFICES TO COSTA RICA AND GUATEMALA—Continued

Date and number	Subject	Page
1935 Mar. 14 (12)	<i>From the Minister in Costa Rica (tel.)</i> Telegram to Guatemala (text printed) advising that the Costa Rican Foreign Minister suggests March 18 as the date for an exchange of telegrams with the Guatemalan Government prior to the actual extension of <i>agrément</i> s. (Footnote: Extension of <i>agrément</i> s March 20.)	240
Mar. 25 (171)	<i>To the Minister in Guatemala</i> Commendation for the effective action taken in the Guatemalan-Costa Rican situation.	240

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

1934 Dec. 20 (471)	<i>From the Minister in Guatemala</i> Information relating to a report made for the Director General of Roads by a committee designated to examine the contemplated construction of Guatemala's section of the Inter-American Highway.	241
1935 Jan. 29 (2166)	<i>From the Ambassador in Mexico</i> Mexico's willingness to cooperate in the proposed reorganization of the Inter-American Highway Commission.	243
Feb. 6	<i>Memorandum by the Chief of the Division of Latin American Affairs</i> Conversation with the Colombian Chargé regarding the status of reconnaissance surveys for the proposed route of the Inter-American Highway through Colombia.	243
Feb. 15 (222)	<i>To the Chargé in Panama</i> Announcement of the approaching reopening by the U. S. Bureau of Public Roads of its Panama office for continuance of reconnaissance surveys on the Panaman route of the Inter-American Highway.	244
Feb. 15 (140)	<i>To the Minister in Costa Rica</i> Notification of impending reopening of the Panaman office of the U. S. Bureau of Public Roads. (Footnote: The same to El Salvador, Guatemala, Honduras, and Nicaragua.)	245
Mar. 16 (165)	<i>To the Minister in Guatemala</i> Advice relating to plans and proposals of the Bureau of Public Roads for beginning construction work on the Inter-American Highway in Guatemala.	246
Mar. 23	<i>To the Secretary of Agriculture</i> Suggestions as to how the Bureau of Public Roads might best utilize that portion of the funds allotted to it by Congress for construction of the Inter-American Highway.	247
Mar. 25 (584)	<i>From the Minister in Guatemala</i> Belief that further exchanges with the Guatemalan Government on the highway project should await more specific advice from the Bureau of Public Roads.	249

CONSTRUCTION OF INTER-AMERICAN HIGHWAY—Continued

Date and number	Subject	Page
1935		
Mar. 30 (237)	<i>To the Minister in Panama</i> Notification of forthcoming visit to Panama and other Central American countries of Mr. E. W. James of the Bureau of Public Roads to confer with appropriate officials as to further work on the highway. (Footnote: Similar instructions to Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua.)	250
Apr. 24 (693)	<i>From the Minister in Costa Rica</i> Report on conferences held between Mr. James and Costa Rican officials during the former's visit in San José.	250
May 8 (823)	<i>From the Minister in Nicaragua</i> Account of the visit of Mr. James to Managua and the results of his conferences there.	252
May 9 (243)	<i>From the Minister in El Salvador</i> Report and comment on the nationalistic attitude adopted by President Martínez during his interview with Mr. James.	254
May 21 (652)	<i>From the Minister in Guatemala</i> Advice of the arrival of Mr. James and transmittal of letter (text printed) addressed to him by the Minister of Agriculture specifying the cooperation to be given by Guatemala toward construction of the highway.	255
May 23 (658)	<i>From the Minister in Guatemala</i> Observations relative to mutual cooperation of the United States and Guatemala in furtherance of the highway project.	257
Aug. 13	<i>Memorandum by the Secretary of State</i> Conversation with the Nicaraguan Chargé regarding his Government's proposed new route for the highway.	259
Sept. 3 (223)	<i>To the Chargé in Guatemala</i> Transmittal of (1) letter from the Acting Secretary of Agriculture regarding results of the James mission, and (2) note to be addressed to the Guatemalan Government (text printed) suggesting procedure for cooperation in bridge construction along highway route. (Footnote: Similar notes to be addressed to the Governments of Panama, Costa Rica, Nicaragua and Honduras.)	260
Sept. 23 (864)	<i>From the Minister in Costa Rica</i> Recommendation of step to be taken to prevent Costa Rican officials from requiring consent of their Congress for acceptance of U. S. assistance in construction of the highway.	262
Oct. 4 (37)	<i>To the Minister in Costa Rica (tel.)</i> View that Costa Rica should not be dissuaded from taking whatever steps are deemed necessary prior to acceptance of U. S. assistance.	264
Nov. 12 (238)	<i>To the Chargé in Guatemala</i> Instructions to seek certain assurances relative to handling of materials and equipment from those countries accepting U. S. cooperation in the bridge construction program. (Footnote: Similar instructions to Honduras and Panama, and satisfactory replies from all three Governments.)	264

ARGENTINA

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

Date and number	Subject	Page
1935 Feb. 5	<i>Memorandum by the Chief of the Division of Latin American Affairs</i> Telephone conversation with the Argentine Ambassador, who inquired as to whether the United States intended to generalize to his Government those concessions granted to Brazil under the recently concluded U. S.-Brazilian trade agreement.	266
Feb. 11	<i>Memorandum by the Chief of the Division of Latin American Affairs</i> Conversation with the Argentine Ambassador, who was given an affirmative answer to his inquiry of February 5, but was also reminded of certain minor discriminations against the United States existing under the Argentine-Chilean <i>modus vivendi</i> of 1932.	267
May 3	<i>Memorandum by Mr. Donald R. Heath of the Division of Latin American Affairs</i> Conversation with the Argentine Commercial Attaché relative to his Government's desire for the early negotiation of a trade agreement.	268

REPRESENTATIONS TO THE ARGENTINE GOVERNMENT RESPECTING SURCHARGE FOR IMPORTATION OF GOODS FOR WHICH OFFICIAL EXCHANGE PERMITS HAD NOT BEEN ACCORDED

1935 Apr. 14	<i>From the Consul General at Buenos Aires (tel.)</i> Finance Minister's issuance of decree stipulating that from April 22 merchandise for which official exchange permits have not been accorded may be imported into Argentina only upon payment of a surcharge of 20% of the value.	269
Apr. 15	<i>From the Consul General at Buenos Aires (tel.)</i> Advice as to how computation will be made of the increased cost to importers under terms of decree.	269
Apr. 16 (34)	<i>To the Chargé in Argentina (tel.)</i> Instructions to make representations to the Foreign Minister regarding elements of discrimination against American trade contained in decree.	270
Apr. 17	<i>To the Argentine Embassy</i> Hope for Argentine reconsideration of terms of the decree, and specific request that enforcement of decree be suspended for a period of 60 days.	270
Apr. 17 (30)	<i>From the Chargé in Argentina (tel.)</i> Advice that representations against decree have been made to the Foreign Ministry and to the Finance Ministry.	270
Apr. 22 (31)	<i>From the Chargé in Argentina (tel.)</i> Further representations made to Under Secretary of Foreign Affairs.	271
Apr. 23 (32)	<i>From the Chargé in Argentina (tel.)</i> Arrival of first American goods subject to decree, and payment of new tax by the importers.	271

ARGENTINA

REPRESENTATIONS TO THE ARGENTINE GOVERNMENT RESPECTING SURCHARGE FOR IMPORTATION OF GOODS FOR WHICH OFFICIAL EXCHANGE PERMITS HAD NOT BEEN ACCORDED—Continued

Date and number	Subject	Page
1935		
Apr. 25 (36)	<i>To the Chargé in Argentina (tel.)</i> Instructions to request Foreign Minister's early reply to U. S. representations.	272
Apr. 26 (33)	<i>From the Chargé in Argentina (tel.)</i> Foreign Minister's promise to expedite a response from Finance Ministry.	272
Apr. 27 (34)	<i>From the Chargé in Argentina (tel.)</i> Substance of Finance Ministry's memorandum replying to U. S. representations.	272
Apr. 29 (37)	<i>To the Chargé in Argentina (tel.)</i> Instructions to make inquiry of Foreign Minister as to truth of report that a surcharge of 20% will be added to all bids for Argentine Government contracts received from countries with which Argentina has an unfavorable trade balance.	273
May 16 (711)	<i>From the Chargé in Argentina</i> Advice that Finance Minister has agreed to a meeting with the head of the Exchange Control Office and the Embassy's Commercial Attaché to ascertain the cause for a discrepancy appearing in statistics of Argentine exports to the United States.	273
June 6 (736)	<i>From the Ambassador in Argentina</i> Quotation from memorandum prepared by Exchange Control Office in reply to inquiry authorized in Department's telegram No. 37, April 29.	274
June 27 (765)	<i>From the Ambassador in Argentina</i> Account of efforts made to obtain a definite appointment for the discussion agreed to by the Minister of Finance as reported in despatch No. 711, May 16.	275
Aug. 16 (833)	<i>From the Ambassador in Argentina</i> Commercial Attaché's report dated August 16 (text printed) giving an account of his recent meetings with Finance Ministry officials on discrepancies in figures of Argentine exports to the United States.	276
Sept. 27 (897)	<i>From the Ambassador in Argentina</i> Commercial Attaché's attempts to resume discussions with Finance Ministry in view of discovery of a specific case involving incorrect Argentine statistics on shipments of rye to the United States.	278

EFFORTS TO SECURE EQUITABLE TREATMENT FOR AMERICAN CREDITORS IN THE SERVICING OF PROVINCE OF BUENOS AIRES BONDS

1935		
July 18	<i>From the Executive Vice President and Secretary of the Foreign Bondholders Protective Council, Inc.</i> Protest that American holders of dollar bonds of the Province of Buenos Aires are being discriminated against under terms of a recent proposal made by the Province to British holders of sterling bonds.	280

ARGENTINA

EFFORTS TO SECURE EQUITABLE TREATMENT FOR AMERICAN CREDITORS IN THE
SERVICING OF PROVINCE OF BUENOS AIRES BONDS—Continued

Date and number	Subject	Page
1935		
July 24 (109)	<i>To the Ambassador in Argentina (tel.)</i> Instructions to make appropriate inquiries as to alleged discrimination by the Province of Buenos Aires against its dollar issues.	281
July 30 (158)	<i>From the Ambassador in Argentina (tel.)</i> Receipt of advice that Foreign Bondholders Protective Council has withdrawn its complaint of discrimination.	282
Aug. 2 (112)	<i>To the Ambassador in Argentina (tel.)</i> Instructions to make further investigation of discrimination matter in view of Council's advice that it has not withdrawn its complaint.	282
Aug. 9 (167)	<i>From the Ambassador in Argentina (tel.)</i> Pertinent points contained in report prepared by the Embassy's Commercial Attaché on debt settlement by the Province of Buenos Aires.	283
Aug. 12 (170)	<i>From the Ambassador in Argentina (tel.)</i> Advice that legal counsel for the Province of Buenos Aires maintains that there is legal justification for the Province's proposal on dollar bonds.	283
Aug. 17 (182)	<i>From the Ambassador in Argentina (tel.)</i> Suggestion that Department make inquiry of Bondholders Council as to status of its present negotiations, in view of information that Finance Minister of Province has improved his offer to American bondholders.	284
Aug. 23 (118)	<i>To the Ambassador in Argentina (tel.)</i> Advice of Council's request for further data from Province on new offer, and of Council's fear of precipitate enactment of debt legislation by the Provincial legislature before full opportunity is afforded for negotiating.	284
Aug. 27 (190)	<i>From the Ambassador in Argentina (tel.)</i> Information that Provincial executive holds full authority to refund the public debt, and that no further debt legislation is necessary.	285
Aug. 27 (121)	<i>To the Ambassador in Argentina (tel.)</i> Council's refusal to recommend acceptance of the Province's latest offer to bondholders, but indication that it would recommend acceptance of an offer substantially the same as that made to the British.	285
Aug. 28 (192)	<i>From the Ambassador in Argentina (tel.)</i> Receipt of advice that Finance Minister refuses to accept a counter offer recently suggested to him by the Bondholders Council.	286
Aug. 29 (193)	<i>From the Ambassador in Argentina (tel.)</i> Embassy's submission of letter, <i>infra</i> , to Under Secretary for Foreign Affairs.	287
Aug. 29 (853)	<i>From the Ambassador in Argentina</i> Letter dated August 27 to the Under Secretary for Foreign Affairs (text printed) outlining the debt settlement case and presenting the viewpoint of the Bondholders Council.	287

ARGENTINA

EFFORTS TO SECURE EQUITABLE TREATMENT FOR AMERICAN CREDITORS IN THE
SERVICING OF PROVINCE OF BUENOS AIRES BONDS—Continued

Date and number	Subject	Page
1935 Sept. 9 (199)	<i>From the Ambassador in Argentina (tel.)</i> Information that debt negotiations are proceeding at a slow pace due to Provincial Finance Minister's preoccupation with other matters.	290
Sept. 14 (203)	<i>From the Ambassador in Argentina (tel.)</i> Inquiry as to status of negotiations going on in New York between the Bondholders Council and the Province's representative.	290
Sept. 17 (124)	<i>To the Ambassador in Argentina (tel.)</i> Advice that developments will be communicated as soon as they are reported by the Council.	291
Sept. 25 (284)	<i>To the Ambassador in Argentina</i> Authorization to make informal inquiry of the Foreign Minister as to when Bondholders Council may expect an answer to certain questions in recent telegrams to the Finance Minister.	291
Sept. 27 (220)	<i>From the Ambassador in Argentina (tel.)</i> Answers to recent inquiries of Bondholders Council.	291
Oct. 2	<i>From the Executive Vice President and Secretary of the Foreign Bondholders Protective Council, Inc.</i> Receipt of answers to inquiries.	292
Oct. 17 (142)	<i>To the Ambassador in Argentina (tel.)</i> Desire of Bondholders Council for information as to amount included in Province's 1936 budget for service of dollar bonds. Request for opinion as to whether Province's last proposal is final and whether it is a reasonable one.	293
Oct. 21 (251)	<i>From the Ambassador in Argentina (tel.)</i> Information desired by Council, and expression of opinion in answer to Department's request.	293
Oct. 22 (252)	<i>From the Ambassador in Argentina (tel.)</i> Advice that Embassy has been promised Finance Minister's reply to telegram addressed to him by the Bondholders Council.	294
Oct. 23 (254)	<i>From the Ambassador in Argentina (tel.)</i> Translation of Foreign Office letter dated October 21 (text printed) giving Finance Minister's reply to Council's telegram.	294
Oct. 29 (150)	<i>To the Ambassador in Argentina (tel.)</i> Instructions to express to Foreign Minister U. S. hope that the latest offer made by the Province of Buenos Aires to the Bondholders Council may be further adjusted so as to remedy the discrepancy between the terms offered American bondholders and those offered British bondholders.	295
Oct. 30 (265)	<i>From the Ambassador in Argentina (tel.)</i> Foreign Minister's promise to discuss matter with Finance Minister of Province.	296
Nov. 4 (269)	<i>From the Ambassador in Argentina (tel.)</i> Finance Minister's adjustment of offer and Council's acceptance thereof.	296

ARGENTINA

UNPERFECTED SANITARY CONVENTION BETWEEN THE UNITED STATES AND ARGENTINA, SIGNED MAY 24, 1935

Date and number	Subject	Page
1935 May 24	<i>Sanitary Convention Between the United States of America and the Republic of Argentina</i> Text of convention signed at Washington.	296

BRAZIL

RECIPROCAL TRADE AGREEMENT BETWEEN THE UNITED STATES AND BRAZIL, SIGNED FEBRUARY 2, 1935

1935	(Note: Citation to texts of agreement, supplementary agreement, and exchange of notes.)	300
May 28 (98)	<i>To the Chargé in Brazil (tel.)</i> Authorization to express to Foreign Office Department's hope for Brazil's early ratification of the U. S.-Brazilian trade agreement.	300
June 6 (151)	<i>From the Chargé in Brazil (tel.)</i> Summary of opposition to the agreement; desire of the Brazilian Federation of Industries for its modification. Attitude assumed by Chargé in conversation with Brazilian officials.	301
June 10 (105)	<i>To the Chargé in Brazil (tel.)</i> Department's views on situation as reported in Chargé's No. 151, June 6, and approval of attitude he has assumed.	304
June 29 (167)	<i>From the Chargé in Brazil (tel.)</i> Report that there is lack of progress toward ratification, but that Foreign Minister shows no apprehension as to eventual ratification.	304
July 17 (176)	<i>From the Chargé in Brazil (tel.)</i> Foreign Minister's efforts to bring members of the Congress into line for quick action on the agreement.	305
July 24 (124)	<i>To the Chargé in Brazil (tel.)</i> For the Ambassador: Instructions to use every suitable opportunity to promote early ratification, and particularly to encourage activity by the Foreign Minister.	306
Aug. 3 (182)	<i>From the Chargé in Brazil (tel.)</i> Foreign Minister's assurance that agreement will be ratified by the end of August.	307
Aug. 19 (191)	<i>From the Chargé in Brazil (tel.)</i> Foreign Office advice of probable further delay in ratification.	307
Aug. 21	<i>Memorandum by the Chief of the Division of Latin American Affairs</i> Conversation with Brazilian Counselor-Minister, who was informed that the Secretary of State is seriously concerned over continued delay in ratification.	308
Aug. 21 (135)	<i>To the Chargé in Brazil (tel.)</i> For the Ambassador: Disappointment over prospect of further delay, and hope that early action may be taken along lines indicated in Department's No. 124, July 24.	308

BRAZIL

RECIPROCAL TRADE AGREEMENT BETWEEN THE UNITED STATES AND BRAZIL,
SIGNED FEBRUARY 2, 1935—Continued

Date and number	Subject	Page
1935		
Aug. 23 (195)	<i>From the Ambassador in Brazil (tel.)</i> Foreign Minister's assurance that he will urge action for early ratification.	309
Aug. 23 (196)	<i>From the Ambassador in Brazil (tel.)</i> Advice that the so-called class deputies in the Chamber of Deputies constitute the most active opposition to ratification.	309
Aug. 26 (197)	<i>From the Ambassador in Brazil (tel.)</i> Fear that in spite of the Embassy's best efforts, the ratification matter has been allowed to drift for so long that there is some doubt as to the eventual outcome.	310
Aug. 26 (137)	<i>To the Ambassador in Brazil (tel.)</i> Instructions to impress upon the Foreign Minister that protracted delay in ratification will mean that American interests will more vigorously than before challenge the proposed trade agreement with Brazil.	311
Aug. 27 (200)	<i>From the Ambassador in Brazil (tel.)</i> Conversation with the Foreign Minister, who indicated that he realized seriousness of the situation and would do everything possible to secure early ratification.	312
Aug. 27	<i>Memorandum by the Secretary of State</i> Conversation with Brazilian Counselor of Embassy, who was fully informed of U. S. serious concern over his Government's continued failure to ratify the trade agreement.	313
Aug. 27 (202)	<i>From the Ambassador in Brazil (tel.)</i> President Vargas' promise to take all possible measures to ensure early ratification.	315
Aug. 29 (206)	<i>From the Ambassador in Brazil (tel.)</i> President's efforts to obtain adoption by the Chamber of Deputies of a more favorable attitude.	315
Sept. 12 (222)	<i>From the Ambassador in Brazil (tel.)</i> Advice that trade agreement has been approved by the Chamber and will now go to the Senate for approval.	316
Oct. 1 (254)	<i>From the Chargé in Brazil (tel.)</i> Foreign Minister's promise of steps to accelerate Senate approval, with indication that delay is of an exclusively bureaucratic nature.	316
Nov. 14 (292)	<i>From the Chargé in Brazil (tel.)</i> Information that trade agreement has been approved by the Senate and will probably be promulgated by the President of the Chamber of Deputies on November 16.	317
Nov. 18 (295)	<i>From the Chargé in Brazil (tel.)</i> Advice that trade agreement has been promulgated.	317
Nov. 29 (323)	<i>From the Ambassador in Brazil (tel.)</i> Suggested procedure relative to exchange of ratifications, and request for Department's authorization.	318
Dec. 1 (201)	<i>To the Ambassador in Brazil (tel.)</i> Authorization for use of suggested procedure.	318

BRAZIL

RECIPROCAL TRADE AGREEMENT BETWEEN THE UNITED STATES AND BRAZIL,
SIGNED FEBRUARY 2, 1935—Continued

Date and number	Subject	Page
1935 Dec. 2 (332)	<i>From the Ambassador in Brazil (tel.)</i> Advice that ratifications have been exchanged. (Footnote: Information that agreement was proclaimed by the President of the United States, December 2, 1935, effective January 1, 1936.)	319
Dec. 20 (215)	<i>To the Ambassador in Brazil (tel.)</i> Request for information regarding Brazilian policy on generalization of the tariff concessions granted the United States in the trade agreement.	319
Dec. 24 (349)	<i>From the Ambassador in Brazil (tel.)</i> Information as to probable Brazilian action on generalizations, and relation thereto of a general plan to revise existing commercial agreements, beginning with the denunciation of those negotiated prior to January 1, 1934.	319
Dec. 31 (355)	<i>From the Ambassador in Brazil (tel.)</i> President's signature of decree providing for revisions of all Brazil's trade agreements except those concluded since January 1, 1934.	321

REPRESENTATIONS REGARDING AMERICAN BLOCKED FUNDS IN BRAZIL

1935 Jan. 2 (1)	<i>From the Chargé in Brazil (tel.)</i> Information of conference between certain Brazilian officials and the President, wherein it is believed that discussion was held on possible suspension of the foreign debt funding plan.	321
Jan. 3 (2)	<i>From the Chargé in Brazil (tel.)</i> Conversation with Souza Dantas, Director of Exchange Operations of the Bank of Brazil, who said that Brazil's coffee exports had fallen off so markedly that there was not sufficient foreign exchange to make the payments required under the debt plan.	322
Jan. 4 (1)	<i>To the Chargé in Brazil (tel.)</i> Advice that Department has expressed concern to the Brazilian Ambassador over reports that his Government is intending to modify or suspend the debt plan.	323
Jan. 4 (2)	<i>To the Chargé in Brazil (tel.)</i> Instructions to request more exact information from Souza Dantas as to present exchange situation, and to make representations to Foreign Minister relative to remittances for payment of the January 1 service.	324
Jan. 5 (4)	<i>From the Chargé in Brazil (tel.)</i> Conversation with Souza Dantas, who stated that the total January 1st payments have been remitted.	325
Jan. 5 (5)	<i>From the Chargé in Brazil (tel.)</i> Expression of U. S. hope to the Foreign Minister that his Government can deny any intention of modifying or suspending the debt plan.	325
Jan. 7 (6)	<i>From the Chargé in Brazil (tel.)</i> Conversation with the Foreign Minister, who said that he favored a temporary modification of the debt plan, but that Souza Dantas favored suspending it.	326

BRAZIL

REPRESENTATIONS REGARDING AMERICAN BLOCKED FUNDS IN BRAZIL—Con.

Date and number	Subject	Page
1935 Jan. 8 (3)	<i>To the Chargé in Brazil (tel.)</i> Submission of certain questions which Department desires to have answered in connection with the current exchange situation.	327
Jan. 9 (10)	<i>From the Chargé in Brazil (tel.)</i> Answers to the Department's questions, together with summary judgment of the situation.	327
Jan. 9 (11)	<i>From the Chargé in Brazil (tel.)</i> Conversation with Foreign Minister regarding the course to be followed by the financial delegation which his Government is planning to send to the United States.	329
Jan. 14	<i>From the Brazilian Ambassador</i> Notification of the forthcoming arrival in the United States of a Brazilian financial delegation headed by the Finance Minister.	330
Jan. 15 (20)	<i>From the Chargé in Brazil (tel.)</i> Advice that official foreign exchange allotment to banks has been suspended; also that all local banks have been asked to give written evidence of their dealings in free market exchange from May 1934, to the present time.	330
Jan. 15 (21)	<i>From the Chargé in Brazil (tel.)</i> Report on efforts to obtain Foreign Minister's views on the suspension measure, and on possible further restriction of the free exchange market.	331
Jan. 21	<i>Memorandum by the Economic Adviser of a Conference With Brazilian Representatives</i> Substance of discussion on Brazilian Ambassador's two suggested methods for clearing up Brazil's deferred indebtedness to American interests.	332
Jan. 22 (23)	<i>From the Chargé in Brazil (tel.)</i> Report that American business community is becoming somewhat restive due to the continued suspension of official foreign exchange allotments.	333
Jan. 28 (11)	<i>To the Chargé in Brazil (tel.)</i> Advice of Brazilian financial delegation's arrival and of views and program advanced by the Finance Minister in connection with Brazil's foreign obligations.	333
Jan. 30	<i>Memorandum of Agreement With the Brazilian Representatives</i> Prepared by Department officials and a representative of the Federal Reserve Bank of New York: Detailed analysis of the main aspects of U. S.-Brazilian exchange and financial relations, and proposals for solution of Brazil's exchange control problem.	334
Jan. 31 (13)	<i>To the Chargé in Brazil (tel.)</i> Advice that Department has requested the Brazilian Ambassador and the Finance Minister to urge their Government to take steps for the resumption of official exchange allotments for American interests.	339
Feb. 2 (11)	<i>From the Brazilian Ambassador</i> Brazilian understanding of article 6, exchange provision, of the U. S.-Brazilian trade agreement.	340

BRAZIL

REPRESENTATIONS REGARDING AMERICAN BLOCKED FUNDS IN BRAZIL—Con.

Date and number	Subject	Page
1935		
Feb. 2	<i>To the Brazilian Ambassador</i> Acknowledgment of Brazilian ^v note and appreciation expressed for assurances contained therein.	341
Feb. 7 (17)	<i>To the Chargé in Brazil (tel.)</i> Request for advice as to whether allotments of official exchange have been resumed for U. S. imports in accordance with terms of the exchange of notes of February 2.	342
Feb. 8 (32)	<i>From the Chargé in Brazil (tel.)</i> Figures compiled by the local American Chamber of Commerce relating to the amount of new frozen American credits resulting from the recent exchange measures.	342
Feb. 8 (33)	<i>From the Chargé in Brazil (tel.)</i> Report on efforts to obtain Brazilian action toward resumption of exchange allotments.	343
Feb. 8	<i>Memorandum by the Economic Adviser of a Conference With Brazilian Representatives</i> Discussion concerning a new plan regarding exchange control and allocation submitted by the Brazilian Ambassador and the Finance Minister to their Government.	343
Feb. 9 (34)	<i>From the Chargé in Brazil (tel.)</i> Foreign Minister's efforts to obtain requisite action of his Government on the exchange allotment question.	345
Feb. 9 (20)	<i>To the Chargé in Brazil (tel.)</i> Request for summary of new exchange control and allocation plan, and of views as to its probable effect on American interests.	346
Feb. 14 (39)	<i>From the Chargé in Brazil (tel.)</i> Advice from Exchange Director of the Bank of Brazil that payments against the American backlog have been resumed and will be accelerated as much as possible within the next week.	347
Feb. 15 (41)	<i>From the Chargé in Brazil (tel.)</i> Government's adoption of the new exchange plan; views as to its effect on American interests.	347
Feb. 16 (25)	<i>To the Chargé in Brazil (tel.)</i> Advice that Brazilian financial mission left the United States without having obtained the promise of a loan from banking interests in New York to fund the present deferred indebtedness.	349
Feb. 20 (45)	<i>From the Chargé in Brazil (tel.)</i> Advice that acceleration of official exchange has not materialized, as promised by the Exchange Director.	349
Feb. 22 (49)	<i>From the Chargé in Brazil (tel.)</i> Brazilian excuses for nonresumption of the flow of official exchange.	350
Feb. 25 (29)	<i>To the Chargé in Brazil (tel.)</i> Brazilian Ambassador's views as to the best solution of the exchange allocation problem.	351

BRAZIL

REPRESENTATIONS REGARDING AMERICAN BLOCKED FUNDS IN BRAZIL—Con.

Date and number	Subject	Page
1935		
Feb. 28 (31)	<i>To the Chargé in Brazil (tel.)</i> Instructions to make inquiry of the Foreign Minister as to what policy his Government intends to pursue relative to the deferred debt, and whether a precise date can be designated for a resumption of payments.	352
Mar. 1 (52)	<i>From the Chargé in Brazil (tel.)</i> Opinion that Brazilian authorities have no intention of either resuming the supply of official exchange or of giving any assurances thereon until after the Government's financial delegation has returned from Europe.	352
Mar. 26 (71)	<i>From the Chargé in Brazil (tel.)</i> Foreign Minister's inability to give any definite assurances on the American backlog situation.	353
Apr. 4 (79)	<i>From the Chargé in Brazil (tel.)</i> Advice that Bank of Brazil has commenced the liquidation of dollar contracts held by the National City Bank.	355
Apr. 11 (87)	<i>From the Chargé in Brazil (tel.)</i> Information of conversion action recommended by the National Foreign Trade Council to owners of deferred commercial indebtedness in Brazil.	355
Apr. 12 (53)	<i>To the Chargé in Brazil (tel.)</i> Request for views as to how rapidly total American deferred credits could be cleared up from Bank of Brazil's reserves and Government's quota of exchange.	356
Apr. 15 (93)	<i>From the Chargé in Brazil (tel.)</i> Estimate of three or four years to clear up frozen credits under certain conditions.	357
Apr. 17 (96)	<i>From the Chargé in Brazil (tel.)</i> Advice of local press reports that the Brazilian Ambassador in Washington estimates the total American frozen credits at only \$10,000,000.	357
Apr. 17	<i>To the Brazilian Ambassador</i> Memorandum presenting Department's two suggested methods for expeditious settlement of deferred indebtedness question.	358
Apr. 24 (63)	<i>To the Chargé in Brazil (tel.)</i> Instructions to request of Finance Minister as much detail as possible of the method now being considered by the Brazilian Government for solution of the debt problem.	359
Apr. 25 (65)	<i>To the Chargé in Brazil (tel.)</i> Emphasis on view that the adequacy of Brazil's proposed method will naturally depend on the actual details of the plan.	360
Apr. 25 (106)	<i>From the Chargé in Brazil (tel.)</i> Submission of certain questions relating to classification of small creditors and treatment to be accorded Class C creditors.	361
Apr. 27 (68)	<i>To the Chargé in Brazil (tel.)</i> Department's views on the questions submitted.	361

BRAZIL

REPRESENTATIONS REGARDING AMERICAN BLOCKED FUNDS IN BRAZIL—Con.

Date and number	Subject	Page
1935		
Apr. 29 (110)	<i>From the Chargé in Brazil (tel.)</i> Chargé's assumption that he should attempt to reconcile any divergence in views of Department and those of Finance Minister; comments on situation, and request for instructions.	363
Apr. 30 (70)	<i>To the Chargé in Brazil (tel.)</i> Department's desire to have certain specific recommendations discussed with Finance Minister.	364
May 1 (73)	<i>To the Chargé in Brazil (tel.)</i> Instructions to convey to Finance Minister Department's suggested method for dealing with the question of American deferred credits.	365
May 2 (74)	<i>To the Chargé in Brazil (tel.)</i> Supplementary information relative to preferred method for handling of Class C creditors—i. e., by individual exchange of letters between the Bank of Brazil and the creditor.	366
May 3 (116)	<i>From the Chargé in Brazil (tel.)</i> Explanation to the Finance Minister of Department's preferred method for handling Class C creditors.	367
May 3 (117)	<i>From the Chargé in Brazil (tel.)</i> Opinion that the method for handling of Class C creditors set forth in Department's telegram No. 74, May 2, would be far less desirable than an emission of Bank of Brazil notes.	369
May 4 (77)	<i>To the Chargé in Brazil (tel.)</i> Instructions to endeavor to obtain Finance Minister's agreement to the issuance of Bank of Brazil notes in case other forms of obligations are unsatisfactory to American creditors.	370
May 4 (78)	<i>To the Chargé in Brazil (tel.)</i> Advice of circumstance in which Class C creditors might find it more advantageous to refrain from requesting Brazilian payment of interest.	370
May 6 (81)	<i>To the Chargé in Brazil (tel.)</i> Opposition of American Class C creditors to method outlined in Department's telegram No. 74, May 2.	371
May 7 (121)	<i>From the Chargé in Brazil (tel.)</i> Conference with Finance Minister, who disclosed that he was endeavoring to raise a loan to take care of American small creditors and reiterated his intention to pay off credits covered by closed exchange contracts at once.	371
May 7 (122)	<i>From the Chargé in Brazil (tel.)</i> Preference of local American business interests for Bank of Brazil's issuance of interest-bearing obligations in settlement of Class C credits.	372
May 7 (83)	<i>To the Chargé in Brazil (tel.)</i> Advice that Foreign Trade Council also prefers settlement by Bank of Brazil notes.	373
May 8 (84)	<i>To the Chargé in Brazil (tel.)</i> Summary of all of Department's previous suggestions as to what would constitute a satisfactory settlement for American holders of deferred balances.	373

BRAZIL

REPRESENTATIONS REGARDING AMERICAN BLOCKED FUNDS IN BRAZIL—Con.

Date and number	Subject	Page
1935 May 9 (128)	<i>From the Chargé in Brazil (tel.)</i> Advice that an <i>aide-mémoire</i> containing Department's suggestions has been submitted to the Finance Minister.	375
May 11 (129)	<i>From the Chargé in Brazil (tel.)</i> Report on effort made to expedite Finance Minister's reply to the <i>aide-mémoire</i> .	375
May 14 (87)	<i>To the Chargé in Brazil (tel.)</i> Plan for direct conversations on the deferred credit situation between the Brazilian Ambassador in Washington and representatives of American creditors.	376
June 1 (147)	<i>From the Chargé in Brazil (tel.)</i> Approximate amount of American frozen credits based on Bank of Brazil's figures.	376
June 19 (161)	<i>From the Chargé in Brazil (tel.)</i> Transmittal of (1) resolution adopted by the Brazilian Foreign Trade Council (text printed) providing for the creation of a new German-Brazilian compensation arrangement, and (2) Finance Ministry's note (text printed) explaining Council's resolution.	376
June 19 (162)	<i>From the Chargé in Brazil (tel.)</i> Conversation with Exchange Director of the Bank of Brazil regarding implementation of the new compensation arrangement.	378
June 21 (114)	<i>To the Chargé in Brazil (tel.)</i> Instructions to convey to Foreign Minister Department's views relative to possible detrimental effect of new arrangement on American export trade.	379
June 22 (165)	<i>From the Chargé in Brazil (tel.)</i> Foreign Minister's attitude toward Department's views.	379
July 31 (743)	<i>From the Chargé in Brazil.</i> Advice that members of the American Chamber of Commerce in Brazil feel that the German-Brazilian compensation arrangement will automatically cease when the U. S.-Brazilian trade agreement and exchange of notes come into force.	381
Nov. 5 (181)	<i>To the Chargé in Brazil (tel.)</i> Request for information as to whether small American frozen credits will be accorded a cash payment similar to that accorded under terms of the Brazilian-British frozen credits agreement.	382
Nov. 8 (286)	<i>From the Chargé in Brazil (tel.)</i> Information from the Minister of Finance on steps taken with respect to American frozen credits.	382
Nov. 19 (299)	<i>From the Chargé in Brazil (tel.)</i> Transmittal of Enabling Act (text printed) for settlement of American frozen credits being considered by Chamber of Deputies.	383
Nov. 20 (190)	<i>To the Chargé in Brazil (tel.)</i> Instructions to endeavor to obtain elimination of one phrase in article 1 of the Enabling Act.	384

BRAZIL

REPRESENTATIONS REGARDING AMERICAN BLOCKED FUNDS IN BRAZIL—Con.

Date and number	Subject	Page
1935 Nov. 21 (301)	<i>From the Ambassador in Brazil (tel.)</i> Finance Minister's approval of a substitute phrase suggested by the Embassy.	384
Dec. 3 (333)	<i>From the Ambassador in Brazil (tel.)</i> Advice that Chamber has approved the Enabling Act and that it will now go to the President for signature.	385
Dec. 9 (338)	<i>From the Ambassador in Brazil (tel.)</i> President's signature of Enabling Act.	385
Dec. 20 (214)	<i>To the Ambassador in Brazil (tel.)</i> Request for information as to amount of cash payment Brazil contemplates making on American frozen credits, and the maturity of the dollar frozen credit notes to be issued.	385
Dec. 21 (346)	<i>From the Ambassador in Brazil (tel.)</i> Information as requested by Department.	386

PROMISE BY THE BRAZILIAN GOVERNMENT OF SUPPORT TO THE UNITED STATES
IN CASE OF CONFLICT WITH JAPAN

1935 Dec. 27 (352)	<i>From the Ambassador in Brazil (tel.)</i> Brazilian offer to the United States of wholehearted support and cooperation in the event of an outbreak of hostilities with Japan.	387
1936 Jan. 2 (1)	<i>To the Ambassador in Brazil (tel.)</i> Instructions to express to Foreign Minister U. S. appreciation for the friendly spirit manifested by his Government.	388

SUPPLEMENTARY AGREEMENTS FURTHER AMENDING THE AGREEMENT OF MAY 10, 1934, AS AMENDED BY THE SUPPLEMENTARY AGREEMENT OF JULY 21 AND 23, 1934, PROVIDING FOR A MILITARY MISSION FROM THE UNITED STATES TO BRAZIL, EFFECTED BY EXCHANGES OF NOTES, SIGNED JUNE 20 AND OCTOBER 29, 1935, AND NOVEMBER 9 AND DECEMBER 16 AND 19, 1935

1935	(Note: Citation to texts of agreements.)	388
------	--	-----

CHILE

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

1935 July 30 (176)	<i>To the Chargé in Chile</i> Instructions to enter into informal conversation with Foreign Minister looking toward possible negotiation of a U. S.-Chilean trade agreement; memorandum (text printed) outlining the basic principles of U. S. commercial policy.	389
Oct. 18 (493)	<i>From the Chargé in Chile</i> Report of efforts made to obtain a definite indication of Chilean willingness to enter into a trade agreement with the United States.	393

CHILE

INFORMAL REPRESENTATIONS TO THE CHILEAN GOVERNMENT REGARDING ALLEGED DISCRIMINATION AGAINST AMERICAN INTERESTS IN LETTING CONTRACT FOR RAILROAD CARS

Date and number	Subject	Page
1934 Dec. 20 (85)	<i>To the Chargé in Chile (tel.)</i> Instructions to make informal representations to Chilean authorities if investigation discloses existence of discrimination against American interests in favor of German in exchange rates relative to sale of railroad equipment.	394
Dec. 29 (255)	<i>From the Chargé in Chile</i> Results of conversations with Under Secretary for Foreign Affairs on discrimination question, and opinion that the pending Chilean order for railway equipment will go to Germany, largely because of the brief time period allowed between calling for bids and their opening.	395
1935 Jan. 25 (107)	<i>To the Chargé in Chile</i> Instructions to express informally to Foreign Minister U. S. hope that American concerns will have the opportunity to bid on even terms with other foreign concerns for future supplies of the Chilean Government and state-owned enterprises.	398

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

1935 June 21 (41)	<i>To the Chargé in Chile (tel.)</i> Request for views as to whether Chilean Government has discriminated against American commerce in a specific case involving proposed Chilean purchase of mill equipment and motors from the International Machinery Company at Santiago.	398
June 24 (68)	<i>From the Chargé in Chile (tel.)</i> Opinion that no discrimination is taking place in the case cited, but belief that Finance Minister has discriminated in the past in making exchange available from blocked nitrate accounts at rates lower than the prevailing commercial rates.	399
July 9 (395)	<i>From the Chargé in Chile</i> Observations on recent exchange developments which have disturbed American-Chilean trade relations, particular emphasis being placed on Government's check on the importation of U. S. automotive products and radios.	400
July 27 (415)	<i>From the Chargé in Chile</i> Detailed summary of results of conference with Chilean authorities on exchange restrictions having the most obstructive effect on American commerce.	404
July 31 (423)	<i>From the Chargé in Chile</i> Analysis of the Chilean position on exchange matters; suggested draft of a note to be submitted to Foreign Office (text printed) outlining U. S. attitude toward the most recent restrictions.	406
Aug. 6 (430)	<i>From the Chargé in Chile</i> Foreign Office memorandum of August 2 (text printed) explaining the necessity for imposition of restrictions on imports of American automobiles and radios.	411

CHILE

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

Date and number	Subject	Page
1935 Aug. 7 (432)	<i>From the Chargé in Chile</i> Information on case involving Chilean purchase of German railway equipment, wherein Chilean Finance Minister is believed to have supplied exchange from blocked nitrate funds at preferential rates.	413
Aug. 13 (49)	<i>To the Chargé in Chile (tel.)</i> Authorization to present to Foreign Office the note transmitted in Chargé's despatch No. 423, July 31.	416
Aug. 16 (441)	<i>From the Chargé in Chile</i> Presentation of note, dated August 13, to the Under Secretary for Foreign Affairs on August 14; summary of his comments.	416
Aug. 28 (454)	<i>From the Chargé in Chile</i> Chilean reply, dated August 23 (text printed), to U. S. note; detailed comments thereon.	417
Sept. 10 (53)	<i>To the Chargé in Chile (tel.)</i> Conversation with Counselor of the Chilean Embassy, who requested clarification of certain phraseology contained in the U. S. note.	421
Oct. 29 (500)	<i>From the Chargé in Chile</i> Advice of two new developments in the Chilean exchange situation which adversely affect American commerce in Chile.	421

DISCRIMINATION AGAINST FOREIGNERS IN FEES CHARGED FOR REGISTRATION OF
PATENTS AND TRADE MARKS IN CHILE

1935 Jan. 21 (275)	<i>From the Chargé in Chile</i> Chilean discrimination against foreigners by provision of payment for patent and trade mark registration in local currency, necessitating the payment of a large gold surcharge.	423
Apr. 30 (142)	<i>To the Ambassador in Chile</i> Communication from a New York law firm indicating that Chilean requirement of extra charges is discriminatory against American nationals as compared with citizens of France.	425
June 10 (377)	<i>From the Chargé in Chile</i> Information of pending Chilean legislation for removal of the existing discrimination against American patent and trade mark applicants.	426
Nov. 12 (10)	<i>From the Ambassador in Chile</i> Advice that Chamber of Deputies failed to pass trade marks legislation, but that debate thereon leads to opinion that a foreign applicant might possibly escape the surcharge by presenting his application through a Chilean citizen.	427
Dec. 12 (23)	<i>To the Ambassador in Chile</i> Department's view that it seems doubtful that Chilean authorities would agree to adoption of the procedure mentioned; request for clarification.	428

CHILE

DISCRIMINATION AGAINST FOREIGNERS IN FEES CHARGED FOR REGISTRATION OF
PATENTS AND TRADE MARKS IN CHILE—Continued

Date and number	Subject	Page
1936 Jan. 9 (68)	<i>From the Ambassador in Chile</i> Concurrence in Department's view after conversation with official of the Ministry of Fomento.	429

COLOMBIA

RECIPROCAL TRADE AGREEMENT BETWEEN THE UNITED STATES AND COLOMBIA,
SIGNED SEPTEMBER 13, 1935

1935 Jan. 17 (10)	<i>From the Chargé in Colombia (tel.)</i> Advice that Colombian officials hope to hold their first meeting next week to consider revised proposals of the United States for a commercial treaty with Colombia.	430
Jan. 23 (3)	<i>To the Chargé in Colombia (tel.)</i> Instructions to express to Foreign Minister Department's desire for an early reply to the U. S. proposals.	431
Jan. 23 (11)	<i>From the Chargé in Colombia (tel.)</i> Information concerning report on U. S. proposals prepared by the Finance Minister and submitted to the President; Finance Minister's opinion that U. S. changes are fundamental and that fresh negotiations should be undertaken.	431
Jan. 24 (12)	<i>From the Chargé in Colombia (tel.)</i> Inquiry as to whether Department still desires that conversation be held with the Foreign Minister in accordance with instructions in telegram No. 3, January 23.	432
Jan. 24 (5)	<i>To the Chargé in Colombia (tel.)</i> Confirmation of earlier instructions, and indication of readiness to send an expert to explain U. S. proposals.	433
Jan. 25	<i>Memorandum by the Chief of the Division of Latin American Affairs</i> Conversation with Colombian Commercial Attaché, who was informed of Department's interest in obtaining early expression of his Government's views on the U. S. proposals.	433
Feb. 8 (13)	<i>To the Chargé in Colombia (tel.)</i> Inquiry as to whether Colombia has indicated any modifications or suggestions respecting the draft trade agreement.	434
Feb. 8 (25)	<i>From the Chargé in Colombia (tel.)</i> Advice that apparently no decision has been reached, but that Foreign Minister Olaya has promised his early attention to the matter.	435
Feb. 13 (28)	<i>From the Chargé in Colombia (tel.)</i> Olaya's indication that Government's advisers in the treaty matter have not adopted a favorable attitude toward the U. S. proposals.	435
Feb. 16 (536)	<i>From the Chargé in Colombia</i> Reasons behind Colombia's delay in giving a reply to the U. S. proposals.	436

COLOMBIA

RECIPROCAL TRADE AGREEMENT BETWEEN THE UNITED STATES AND COLOMBIA,
SIGNED SEPTEMBER 13, 1935—Continued

Date and number	Subject	Page
1935 Feb. 21 (32)	<i>From the Chargé in Colombia (tel.)</i> Information that Colombia will be ready to proceed with treaty negotiations in Washington following presentation of credentials by the newly appointed Minister to the United States.	437
Mar. 6 (571)	<i>From the Chargé in Colombia</i> Advice that new Minister's credentials are being sent to him, but that his instructions for treaty negotiations will be somewhat delayed.	438
May 22 (28)	<i>From the Minister in Colombia</i> Information that Government officials appear to be unacquainted with the status of the treaty negotiations currently taking place in Washington between the Department and the Colombian Minister.	438
May 27	<i>Memorandum by Mr. Donald R. Heath of the Division of Latin American Affairs</i> Conversation with the Colombian Minister regarding certain objections of his Government to the draft treaty.	439
July 18	<i>Memorandum by the Assistant Secretary of State (Welles) to the Assistant Secretary of State (Sayre)</i> Conversation with Colombian Minister, who gave a favorable account of his recent visit to Bogotá to expedite agreement.	440
	(Note: Citation to text of trade agreement signed September 13, 1935.)	442

INFORMAL REPRESENTATIONS TO THE COLOMBIAN GOVERNMENT REGARDING
EFFECTS OF COLOMBIAN-GERMAN EXCHANGE ARRANGEMENTS ON AMERICAN
TRADE

1935 June 1 (38)	<i>To the Minister in Colombia (tel.)</i> Instructions to submit a report on developments in Colombian-German trade relations which have occurred since the establishment of a compensated trade system between the two countries.	442
June 3 (54)	<i>From the Minister in Colombia (tel.)</i> Information requested, with emphasis on adverse effect on American trade of the German-Colombian system.	443
June 19 (60)	<i>From the Minister in Colombia (tel.)</i> Advice that use of compensation marks by a German competitor threatens to deprive American bidders of a Colombian contract involving the Bogotá waterworks. (Footnote: Later information that Colombia accepted the bid of American firms.)	443
July 6 (46)	<i>To the Minister in Colombia (tel.)</i> Instructions to bring to the attention of Colombian authorities the U. S. attitude toward restrictive exchange agreements such as that in effect between Colombia and Germany.	444

COLOMBIA

INFORMAL REPRESENTATIONS TO THE COLOMBIAN GOVERNMENT REGARDING
EFFECTS OF COLOMBIAN-GERMAN EXCHANGE ARRANGEMENTS ON AMERICAN
TRADE—Continued

Date and number	Subject	Page
1935 July 31 (164)	<i>From the Minister in Colombia</i> Informal discussion with Foreign Minister relative to the disadvantages under which American businessmen labor as a result of the competitive advantages accruing to German exporters.	444
Sept. 10 (234)	<i>From the Minister in Colombia</i> Presentation of U. S. point of view to the Chief of the Exchange Control Office during a conversation in which the Colombian official expressed dissatisfaction with the low "coffee mark" rates. (Footnote: Information that an agreement adjusting German-Colombian trade relations was signed November 5.)	446

COSTA RICA

NEGOTIATIONS RESPECTING A TRADE AGREEMENT BETWEEN THE UNITED STATES
AND COSTA RICA

1935 July 3 (22)	<i>To the Minister in Costa Rica (tel.)</i> Information that general provisions of proposed trade agreement with Costa Rica will be sent shortly for presentation to that Government.	449
July 17 (778)	<i>From the Chargé in Costa Rica</i> Beginning of discussions with the Foreign Minister, who seemed to take a favorable attitude toward lists of commodities submitted, except the reduction of duty on flour.	449
Aug. 15 (807)	<i>From the Minister in Costa Rica</i> Memorandum of conversation (text printed) with the Foreign Minister and the Finance Minister on the proposed trade agreement. Detailed comments on Costa Rican trade situation and on attitude of the Government toward the proposed trade agreement.	451
Sept. 6 (840)	<i>From the Minister in Costa Rica</i> Interview with President Jiménez, who indicated that trade negotiations would be resumed shortly, and that he desired U. S. withdrawal of request for a reduction of duty on flour.	457
Sept. 18 (35)	<i>To the Minister in Costa Rica (tel.)</i> Authorization to withdraw the requested duty reduction on flour.	460
Oct. 7	<i>Memorandum by the Secretary of State</i> Record of conversation with the Costa Rican Foreign Minister (on an unofficial visit to the United States), during which U. S. aims in promoting the reciprocal trade agreements program were explained.	460
Dec. 9 (962)	<i>From the Minister in Costa Rica</i> Information relating to Costa Rica's most recent counter-proposal for concessions to be included in the trade agreement, and account of the numerous conversations held with Government officials in an attempt to speed negotiations.	461

COSTA RICA

REPRESENTATIONS TO THE COSTA RICAN GOVERNMENT IN SUPPORT OF THE CLAIM
OF THE SIMMONS CONSTRUCTION COMPANY

Date and number	Subject	Page
1934 Aug. 6 (99)	<i>From the American Minister in Costa Rica to the Costa Rican Minister for Foreign Affairs</i> Presentation of a claim on behalf of the Simmons Construction Co. for damages sustained as a result of alleged violation by the Costa Rican Government of a highway construction contract.	464
1935 May 27 (724)	<i>From the Chargé in Costa Rica</i> Transmittal of Foreign Minister's reply to U. S. note of August 6, 1934, contending that U. S. claim was formulated on basis of erroneous information received from Simmons Co.	469
July 12 (182)	<i>To the Chargé in Costa Rica</i> Instructions to make formal representations to the Foreign Office setting forth U. S. position in support of the Simmons claim.	470
Aug. 16 (202)	<i>To the Minister in Costa Rica</i> Authorization to make formal acknowledgment of the Costa Rican communication transmitted in despatch No. 724, May 27, pending delivery of the detailed reply in accordance with instruction No. 182 of July 12.	470
Sept. 27 (109)	<i>From the American Minister in Costa Rica to the Costa Rican Acting Secretary of State for Foreign Affairs</i> Text of note embodying content of Department's instruction No. 182, July 12.	471
Oct. 3 (878)	<i>From the Minister in Costa Rica</i> Transmittal of Costa Rican reply to note of September 27, advising that Legation will be informed "opportunistically" of the Government's attitude. (Footnote: Information that no further correspondence on this case has been found in Department files.)	474

CUBA

ATTITUDE OF THE UNITED STATES GOVERNMENT TOWARDS THE CUBAN ELECTIONS

1935 Mar. 4 (24)	<i>To the Ambassador in Cuba (tel.)</i> Statement for the press (text printed) which Department plans to issue in connection with the forthcoming Cuban elections being held to provide for the passage from the existing system of provisional government to that of constitutional government.	476
------------------------	---	-----

DOMINICAN REPUBLIC

EFFORTS OF THE UNITED STATES TO PROTECT AMERICAN BUSINESS INTERESTS IN
THE DOMINICAN REPUBLIC

1935 Apr. 4 (11)	<i>From the Minister in the Dominican Republic (tel.)</i> Arrest of Amadeo Barletta, honorary Italian Consul, and president of Santo Domingo Motors Company and of Dominican Tobacco Company, in both of which American citizens, including officers of General Motors Export Company and Penn Tobacco Company, hold stock.	478
------------------------	--	-----

DOMINICAN REPUBLIC

EFFORTS OF THE UNITED STATES TO PROTECT AMERICAN BUSINESS INTERESTS IN
THE DOMINICAN REPUBLIC—Continued

Date and number	Subject	Page
1935 Apr. 16 (8)	<i>To the Minister in the Dominican Republic (tel.)</i> Advice from General Motors that they have advanced large sums to Barletta as working capital, and that in order to protect their interests they are sending a representative, Todd, to Santo Domingo; authorization to lend informal good offices to Todd.	478
Apr. 17 (20)	<i>From the Minister in the Dominican Republic (tel.)</i> Steps taken by the Dominican Government tending to give the matter a political complexion.	479
Apr. 18 (22)	<i>From the Minister in the Dominican Republic (tel.)</i> Arrival of Todd, and his hesitation to ask for Legation's good offices in arranging to see Barletta, apparently because of a recent law which seems peculiarly applicable to the Barletta case.	479
Apr. 19 (23)	<i>From the Minister in the Dominican Republic (tel.)</i> Advice that a letter has been sent to the Foreign Minister, upon request from Todd, asking that arrangements be made for Todd to communicate with Barletta. (Footnote: Foreign Minister's reply, April 23, indicating that judge in charge has stated that Barletta was held incomunicado.)	480
Apr. 19 (11)	<i>To the Minister in the Dominican Republic (tel.)</i> Authorization, in view of request of Penn Tobacco Company, to cable confidential report on the situation by Marcus, manager of Dominican Tobacco Company.	480
Apr. 20 (24)	<i>From the Minister in the Dominican Republic (tel.)</i> Information from Marcus that his company's products have been boycotted; suggestion that representations may be timely against discrimination to the detriment of American-owned enterprise.	481
Apr. 22 (13)	<i>To the Minister in the Dominican Republic (tel.)</i> Instructions to submit to Foreign Minister a memorandum (text printed) embodying U. S. views on any Dominican action which might prejudice interests of the Penn Tobacco Company.	481
Apr. 23 (2410)	<i>From the Minister in the Dominican Republic</i> Conversations with the Italian Minister relating to his Government's attitude toward the imprisonment of Consul Barletta.	482
Apr. 24 (29)	<i>From the Minister in the Dominican Republic (tel.)</i> Delivery of memorandum to Foreign Minister as instructed in telegram No. 13, April 22, and his assurances that no action detrimental to the Penn Tobacco Company will be taken.	482
Apr. 28 (33)	<i>From the Minister in the Dominican Republic (tel.)</i> Advice of publication of law No. 893 which aims at the seizure of all Barletta properties under jurisdiction of a court-appointed administrator, and suggestion that Dominican Government be advised as to reservation of all rights on behalf of American nationals adversely affected by the law.	483
Apr. 29 (2436)	<i>From the Minister in the Dominican Republic</i> Government's proposed levy of a \$2,000 fine on the Dominican Tobacco Company for alleged violation of certain internal revenue legislation.	484

DOMINICAN REPUBLIC

EFFORTS OF THE UNITED STATES TO PROTECT AMERICAN BUSINESS INTERESTS IN
THE DOMINICAN REPUBLIC—Continued

Date and number	Subject	Page
1935		
Apr. 30 (14)	<i>To the Minister in the Dominican Republic (tel.)</i> Authorization to make reservation of rights as suggested in telegram No. 33, April 28.	485
May 2 (17)	<i>To the Minister in the Dominican Republic (tel.)</i> Instructions to address formal note to the Dominican Government protesting against actions which have compelled the Dominican Tobacco Corporation to suspend operations and caused losses to American interests involved.	485
May 2 (18)	<i>To the Minister in the Dominican Republic (tel.)</i> Instructions to address formal note to the Dominican Government inquiring whether proceedings announced in pursuance of law No. 893 are intended to affect the Santo Domingo Motors Company.	486
May 3 (21)	<i>To the Minister in the Dominican Republic (tel.)</i> Instructions to address formal note to the Foreign Minister reiterating request made on April 19 that the representative of General Motors be given an opportunity to confer with Barletta.	486
May 9 (23)	<i>To the Minister in the Dominican Republic (tel.)</i> Instructions to protest Government's complaint against the Dominican Tobacco Company, reported in despatch No. 2436, April 29, and to request prompt remission of the fine imposed upon the company.	487
May 10 (51)	<i>From the Minister in the Dominican Republic (tel.)</i> Conversation with the Italian Minister, who inquired as to what cooperation he might expect from the United States in support of a possible peremptory demand on his part for Barletta's release.	488
May 10 (2483)	<i>From the Minister in the Dominican Republic</i> Note addressed to the Foreign Minister May 10 (text printed), as directed in Department's telegram No. 23, May 9.	489
May 14 (58)	<i>From the Minister in the Dominican Republic (tel.)</i> Advice that Barletta is still imprisoned and that manager of the Dominican Tobacco Company has met with no success in attempting to communicate with him.	491
May 14	<i>Memorandum by the Chief of the Division of Latin American Affairs</i> Conversation between the Secretary of State and the Dominican Minister, wherein the latter was handed a memorandum (<i>infra</i>) and was advised of U. S. displeasure over Dominican treatment accorded Mr. Barletta and certain American interests in recent months.	492
May 14	<i>To the Dominican Legation</i> Memorandum outlining in detail specific examples of illegal and arbitrary actions imposed by the Dominican Government upon both American nationals and interests.	494
May 14 (25)	<i>To the Minister in the Dominican Republic (tel.)</i> Advice of the conversation held with the Dominican Minister and of the memorandum given to him.	498

DOMINICAN REPUBLIC

EFFORTS OF THE UNITED STATES TO PROTECT AMERICAN BUSINESS INTERESTS IN
THE DOMINICAN REPUBLIC—Continued

Date and number	Subject	Page
1935		
May 16 (63)	<i>From the Minister in the Dominican Republic (tel.)</i> Information from Italian Minister of his conversation with Barletta; suggestion that Foreign Office should be requested to remit costs of proceedings assessed upon the Dominican Tobacco Company.	499
May 17 (26)	<i>To the Minister in the Dominican Republic (tel.)</i> Authorization to address note to the Dominican Government along lines suggested.	499
May 18 (67)	<i>From the Minister in the Dominican Republic (tel.)</i> Advice that note will be delivered to Foreign Office within an hour or so.	500
May 18 (68)	<i>From the Minister in the Dominican Republic (tel.)</i> Italian Minister's delivery of a formal note to the Dominican Government demanding the unconditional and immediate release of Barletta.	500
May 18 (70)	<i>From the Minister in the Dominican Republic (tel.)</i> Conversation with the Dominican Minister to the United States, who arrived in Santo Domingo to discuss with President Trujillo pending issues between the United States and the Dominican Republic.	500
May 18	<i>Memorandum by the Under Secretary of State</i> Conversation with the Italian Ambassador, who advised that his Government will demand Barletta's unconditional freedom and that freedom on bond will not be accepted.	501
May 20 (74)	<i>From the Minister in the Dominican Republic (tel.)</i> Foreign Minister's attempt to evade answering Italian note reported in telegram No. 68, May 18, by stating that the Barletta case is in the hands of the courts.	502
May 20 (28)	<i>To the Minister in the Dominican Republic (tel.)</i> Authorization to urge President Trujillo to withdraw charges against Barletta, calling attention to injury to American interests and discredit to the Pan American community resulting from his imprisonment.	502
May 21 (76)	<i>From the Minister in the Dominican Republic (tel.)</i> Conference with President Trujillo, who gave general assurances of satisfactory action and personal attention to matters at issue between his Government and the United States.	503
May 21 (77)	<i>From the Minister in the Dominican Republic (tel.)</i> Barletta's unconditional release following promise made by President Trujillo to the Italian Minister.	505
May 29 (84)	<i>From the Minister in the Dominican Republic (tel.)</i> Reversal by Court of Appeals of decision which imposed a fine of \$2,000 on the Dominican Tobacco Company, condemned Barletta to 2 years' imprisonment, and demanded payment of costs of proceedings.	505

ECUADOR

PROPOSAL FOR A MODUS VIVENDI BETWEEN THE UNITED STATES AND ECUADOR
PROVIDING FOR UNCONDITIONAL MOST-FAVORED-NATION TREATMENT IN
COMMERCIAL MATTERS

Date and number	Subject	Page
1935 May 1 (38)	<i>From the Minister in Ecuador</i> Foreign Minister's request that Department be informed of Ecuador's desire to enter into negotiations looking toward conclusion of a reciprocal commercial treaty with the United States.	506
May 15 (29)	<i>From the Minister in Ecuador (tel.)</i> Advice that President has joined Foreign Minister in reiteration of their Government's desire to begin negotiation of a trade treaty.	506
Sept. 4 (52)	<i>To the Minister in Ecuador</i> Department's desire to defer discussions with Ecuador until after trade agreement negotiations have been instituted with several other countries to which preliminary intentions have already been communicated.	507
Oct. 28 (161)	<i>From the Minister in Ecuador</i> Conversation with the Foreign Minister relative to the discriminatory effects on American commerce of the Ecuadoran-French <i>modus vivendi</i> signed on July 9.	507
Oct. 28 (162)	<i>From the Minister in Ecuador</i> Foreign Minister's insistence upon expediency of immediate initiation of trade negotiations; opinion that Department might wish to consider proposing a special <i>modus vivendi</i> pending conclusion of a definitive commercial treaty.	509
Nov. 8 (177)	<i>From the Minister in Ecuador</i> Conversation with Under Secretary for Foreign Affairs in further reference to the existing discrimination against American products resulting from the Ecuadoran-French <i>modus vivendi</i> .	510
Dec. 24 (84)	<i>To the Minister in Ecuador</i> Department's decision to make a formal proposal to the Ecuadoran Government for a most-favored-nation <i>modus vivendi</i> pending the opportunity to initiate trade agreement negotiations.	512
Dec. 26	<i>To the Ecuadoran Chargé</i> Transmittal of draft of a proposed <i>modus vivendi</i> with Ecuador looking toward regularization of commercial relations between the two countries. (Footnote: Information that draft is identic with English text of notes exchanged June 12, 1936.)	513

ECUADOR

EXPRESSION OF CONCERN BY THE UNITED STATES GOVERNMENT REGARDING
ECUADORAN FISHING REGULATIONS PURPORTING TO EXTEND THE TERRITO-
RIAL WATERS OF ECUADOR BEYOND THE THREE-MILE LIMIT

Date and number	Subject	Page
1935 June 1 (23)	<i>To the Minister in Ecuador</i> Instructions to present a note to the Foreign Minister (text printed) embodying Department's views on recent imposition by Ecuadoran authorities of a \$200 fine on an American fishing vessel said to have been fishing in territorial waters prohibited by Ecuadoran fishing regulations.	514
Oct. 3 (59)	<i>To the Minister in Ecuador</i> Instructions to allow the fishing violation matter to remain pending in view of advice that Ecuadoran Foreign Office and War Ministry desire further time to discuss the situation and reach an agreement.	517

INTEREST OF THE UNITED STATES IN POSSIBLE INTERNATIONALIZATION OF THE
GALÁPAGOS ISLANDS FOR THE PROTECTION OF FAUNA AND FOR STRATEGIC
REASONS

1935 Jan. 10	<i>To President Roosevelt</i> Discussion of the importance to U. S. Government of the possible acquisition by the United States of control of the Galápagos Islands for the purpose of forestalling any possible use of the Islands by a hostile power.	517
Feb. 4	<i>Memorandum by President Roosevelt to the Assistant Secretary of State</i> Request that Assistant Secretary discuss with the Secretary a plan whereby Ecuador would be approached with a suggestion of converting the islands into a Pan American international park in view of their interesting flora and fauna.	519
June 21 (176)	<i>From the British Ambassador</i> British interest in establishment of protection for fauna of the Galápagos Islands; inquiry as to whether U. S. Minister at Quito might be instructed to cooperate with his British colleague in obtaining views of the Ecuadoran Government.	519
July 11 (85)	<i>From the Minister in Ecuador</i> Advice of British approach for possible joint action with the United States looking toward internationalization of the Galápagos Islands, and comments on their strategic position.	520
July 20	<i>To the British Ambassador</i> Opinion that it is inadvisable to approach Ecuador on possible internationalization of the Islands, since it is understood that Ecuador has already taken preliminary legislative action for protection of the fauna there.	522
July 22 (44)	<i>To the Minister in Ecuador</i> Instructions to express to the Foreign Minister the U. S. interest in protection of flora and fauna of the Western Hemisphere, and gratification over Ecuadoran legislative action already taken.	523

ECUADOR

INTEREST OF THE UNITED STATES IN POSSIBLE INTERNATIONALIZATION OF THE GALÁPAGOS ISLANDS FOR THE PROTECTION OF FAUNA AND FOR STRATEGIC REASONS—Continued

Date and number	Subject	Page
1935 Aug. 8 (97)	<i>From the Minister in Ecuador</i> Information that the British Chargé has requested Ecuadoran views as to possibility of converting one or more of the islands into a nature sanctuary under supervision of the Ecuadoran Government.	524
Sept. 16 (125)	<i>From the Minister in Ecuador</i> Advice that Foreign Office reply to British inquiry is favorable toward the proposed conversion of one of the Galápagos Islands into a nature sanctuary.	525
Sept. 19 (133)	<i>From the Minister in Ecuador</i> Interview with the Foreign Minister, who expressed interest in establishing a park on the Galápagos Islands to be used by all the Latin American Republics and perhaps the United States for scientific studies of bird and animal life.	526

REVOLUTION IN ECUADOR

1935 Aug. 8 (98)	<i>From the Minister in Ecuador</i> Analysis of the internal political situation in Ecuador, which finds President Velasco Ibarra facing the threat of impeachment proceedings by opposition members of Congress.	527
Aug. 20 (40)	<i>From the Minister in Ecuador (tel.)</i> Advice that opposition majority in the Senate has refused to attend further sessions of Congress because of mob violence against certain of their members, and that President has countered by issuing a decree to convoke a constitutional assembly in October.	530
Aug. 20	<i>From the Consul General at Guayaquil (tel.)</i> Apparent failure of attempted dictatorship of President Velasco Ibarra; imprisonment of some officials; release of 25 citizens previously arrested by President's orders.	531
Aug. 20 (41)	<i>From the Minister in Ecuador (tel.)</i> Army's arrest of President following his decree convoking constitutional assembly for October; establishment of its control in Quito and Guayaquil.	531
Aug. 21 (42)	<i>From the Minister in Ecuador (tel.)</i> Congressional approval of Antonio Pons, the Army's choice for office of Acting President.	532
Aug. 23 (43)	<i>From the Minister in Ecuador (tel.)</i> Advice of opposition to Pons from liberal radical groups, and of difficulty being experienced in formation of a Cabinet.	532
Sept. 26	<i>From the Consul General at Guayaquil (tel.)</i> Information that Army has declared a dictatorship at Quito and appointed Federico Paez, former Public Works Minister, as Provisional President.	532

ECUADOR

REVOLUTION IN ECUADOR—Continued

Date and number	Subject	Page
1935		
Sept. 27	<i>From the Consul General at Guayaquil (tel.)</i> Opposition of the Guayaquil troops to the military movement at Quito.	533
Sept. 28 (45)	<i>From the Minister in Ecuador (tel.)</i> Army's delegation of presidential power to Paez, who has announced his intention to initiate immediate social reforms.	533
Sept. 29 (46)	<i>From the Minister in Ecuador (tel.)</i> Consolidation of position of <i>de facto</i> government; withdrawal of opposition of troops at Guayaquil; Paez manifesto announcing regime will remain in power only for period necessary to formulate and approve new constitution.	534
Oct. 1 (22)	<i>To the Minister in Ecuador (tel.)</i> Request for information as to constitutionality of Paez regime, reforms contemplated, and whether official communication has been received from the Foreign Minister announcing assumption of power by Paez government.	534
Oct. 2 (47)	<i>From the Minister in Ecuador (tel.)</i> Report that present administration apparently is firmly established, and quotation (text printed) from a communication sent by the Foreign Minister advising of government's intention to continue the cultivation of friendly relations with the United States.	535
Oct. 8 (23)	<i>To the Minister in Ecuador (tel.)</i> Instructions to obtain confirmation of Department's understanding that new government intends to fulfill its international obligations, after which note may be sent to Foreign Minister indicating U. S. willingness to continue maintenance of its cordial relations with the government of Ecuador.	536
Oct. 8 (50)	<i>From the Minister in Ecuador (tel.)</i> Extension of recognition to the new government by Chile and Mexico, with Peruvian and Colombian recognition to follow shortly.	536
Oct. 10 (51)	<i>From the Minister in Ecuador (tel.)</i> Confirmation of Department's understanding as set forth in its telegram No. 23, October 8, and transmittal of note (text printed) delivered to Foreign Minister extending official recognition to the <i>de facto</i> Government of Ecuador.	537
Oct. 11 (27)	<i>To the Minister in Ecuador (tel.)</i> Regret over use of the words " <i>de facto</i> " in text of note to the Foreign Minister.	537
Oct. 12 (52)	<i>From the Minister in Ecuador (tel.)</i> Explanation of reason for inclusion of the words " <i>de facto</i> " in text of note.	538
Oct. 15 (28)	<i>To the Minister in Ecuador (tel.)</i> Indication that purpose of this telegram is solely to remove any possible doubt Minister may have regarding recognition; that Department considers that full recognition has been extended.	538

EL SALVADOR

NEGOTIATIONS RESPECTING A RECIPROCAL TRADE AGREEMENT BETWEEN
THE UNITED STATES AND EL SALVADOR

Date and number	Subject	Page
1935		
Feb. 15 (78)	<i>To the Minister in El Salvador</i> Transmittal of copies of Standard General Provisions for study with reference to proposed trade agreement with El Salvador.	539
Mar. 27 (91)	<i>To the Minister in El Salvador</i> Information concerning concessions and assurances which the United States is prepared to grant El Salvador.	539
Mar. 30 (93)	<i>To the Minister in El Salvador</i> Transmittal of Country Committee's report on concessions and assurances desired from El Salvador.	540
Apr. 6 (99)	<i>To the Minister in El Salvador</i> Instructions to submit to Salvadoran Government an <i>aide-mémoire</i> (text printed), together with schedule I, the list of concessions and assurances desired from El Salvador.	541
Apr. 13 (213)	<i>From the Minister in El Salvador</i> Proposal to delay presentation of list of concessions until conclusion of conversations regarding revision of Loan Contract of 1922.	543
May 1 (26)	<i>To the Minister in El Salvador (tel.)</i> Instructions to proceed with presentation of schedule I, in view of probability that loan negotiations will be protracted.	544
May 3 (25)	<i>From the Minister in El Salvador (tel.)</i> Compliance with Department's instructions.	544
May 13 (248)	<i>From the Minister in El Salvador</i> Note from the Foreign Ministry (text printed) stating that a study of the U. S. proposals will be made.	544
July 12 (132)	<i>To the Chargé in El Salvador</i> Instructions to make informal representations relative to inconsistency of recent tariff increase during period of trade agreement negotiations.	545
July 19 (337)	<i>From the Chargé in El Salvador</i> Submission to Salvadoran Government of the draft of General Provisions for incorporation in proposed trade agreement.	546
Aug. 1 (139)	<i>To the Minister in El Salvador</i> Instructions to make arrangements with the Foreign Ministry to proceed with negotiations on an <i>ad referendum</i> basis.	546
Aug. 9 (365)	<i>From the Minister in El Salvador</i> Interview with the Foreign Minister to make arrangements as instructed.	548
Sept. 23 (425)	<i>From the Minister in El Salvador</i> Report of slow progress in negotiations.	548
Oct. 11 (444)	<i>From the Minister in El Salvador</i> Explanation of reasons for the continuing delay in conclusion of negotiations.	549

EL SALVADOR

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

Date and number	Subject	Page
1935 Oct. 31 (473)	<i>From the Chargé in El Salvador</i> Memorandum from the Finance Ministry (text printed) unfavorable to treaty; Legation's reply (text printed) to counteract effect.	550
Dec. 4 (172)	<i>To the Chargé in El Salvador</i> Instructions to urge Salvadoran Government to submit its desiderata for U. S. consideration.	563
Dec. 7 (519)	<i>From the Minister in El Salvador</i> Advice that Department of Hacienda has completed its studies of the proposed trade agreement.	564
Dec. 28 (532)	<i>From the Minister in El Salvador</i> Account of conversations with the President and with the Acting Foreign Minister, indicating developments in the trade agreement negotiations. Expectation of a definite proposal from El Salvador soon.	564

INFORMAL ASSISTANCE BY THE DEPARTMENT OF STATE TO REPRESENTATIVES
OF THE HOLDERS OF SALVADORAN BONDS UNDER THE LOAN CONTRACT OF
JUNE 24, 1922

1935 Jan. 24	<i>Memorandum by the Assistant Chief of the Division of Latin American Affairs</i> Conversation with Mr. Lisman, Chairman of the Bondholders Protective Committee for the Republic of El Salvador, regarding the Committee's desire to have its proposed modifications to the <i>ad referendum</i> agreement of 1934 accepted by the Salvadoran Government.	568
Jan. 25 (4)	<i>To the Minister in El Salvador (tel.)</i> Authorization to approach Salvadoran Government informally expressing the hope that an agreement satisfactory to both parties may be reached.	569
Feb. 25 (80)	<i>To the Minister in El Salvador</i> Instructions sanctioning omission from the revised agreement of any reference involving Government of the United States, should the question arise.	569
Feb. 25	<i>To the Chairman of the Bondholders Protective Committee for the Republic of El Salvador</i> Request for information relative to possible deductions from cash payments under proposed permanent revised agreement.	570
Mar. 2	<i>From the Chairman of the Bondholders Protective Committee for the Republic of El Salvador</i> Information requested in the Department's letter of February 25.	571
Mar. 4	<i>Memorandum by the Chief of the Division of Latin American Affairs</i> Visit from Mr. Fred Lavis, of the Bondholders Committee, to discuss and clarify position of the Committee; Department's nonobjection to Legation's continuance of efforts to facilitate discussions between Committee and Salvadoran Government.	572

EL SALVADOR

INFORMAL ASSISTANCE BY THE DEPARTMENT OF STATE TO REPRESENTATIVES OF THE HOLDERS OF THE SALVADORAN BONDS UNDER THE LOAN CONTRACT OF JUNE 24, 1922—Continued

Date and number	Subject	Page
1935 Mar. 6	<i>From the Chairman of the Bondholders Protective Committee for the Republic of El Salvador</i> Verification of the points discussed March 4.	574
Apr. 5 (17)	<i>To the Minister in El Salvador (tel.)</i> Instructions to inform orally the Salvadoran Government and the Committee's representative of Department's position relative to treatment of nondepositing bondholders.	575
Apr. 30 (231)	<i>From the Minister in El Salvador</i> Information regarding impasse in negotiations for proposed revision of the 1922 Loan Contract.	576
May 4 (27)	<i>To the Minister in El Salvador (tel.)</i> Instructions to express informally the hope that a satisfactory agreement may be reached.	578
May 9	<i>Memorandum by the Chief of the Division of Latin American Affairs</i> Conversation with Mr. R. W. Hebard, of the Committee, regarding stalemate in the negotiations, and his inquiry as to whether Department could take any action in support of Committee; explanation of Department's position.	578
May 11 (245)	<i>From the Minister in El Salvador</i> Advice of departure for New York of Committee's representative after unsatisfactory interview with President Martínez.	579
Oct. 7 (43)	<i>To the Minister in El Salvador (tel.)</i> Instructions to explain to the Salvadoran Government the broad nature of investigations being conducted by the Securities and Exchange Commission, in the event of any comment in connection with Commission's scheduled public hearing on the Salvadoran bond situation.	580
Oct. 9	<i>Memorandum by the Secretary of State of a Conversation With the Salvadoran Minister</i> Minister's reference to problem of proper and reasonable adjustments in the bond situation, on eve of his departure for El Salvador to make report.	581
Dec. 5	<i>Memorandum by the Chief of the Division of Latin American Affairs</i> Discussion between Assistant Secretary Welles and Mr. Fred Lavis regarding satisfactory adjustment of certain details in the negotiations between Committee and Salvadoran Government.	581
Dec. 7	<i>From the Salvadoran Minister</i> Request for information concerning legal situation of the Bondholders Committee following the Securities and Exchange Commission investigation.	582
Dec. 12	<i>To the Salvadoran Minister</i> Substance of communication from Securities and Exchange Commission, with reference to the nature and object of the hearing regarding protective committees for El Salvador.	583

GUATEMALA

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

Date and number	Subject	Page
1935		
Jan. 29 (142)	<i>To the Minister in Guatemala</i> Instructions to present to the Guatemalan Government an <i>aide-mémoire</i> (text printed) and schedule I, the list of concessions and assurances which the United States is seeking in connection with the proposed trade agreement.	585
Feb. 18 (157)	<i>To the Minister in Guatemala</i> Instructions to present to the Guatemalan Government the draft of the General Provisions for incorporation into the trade agreement.	587
Apr. 18 (9)	<i>To the Minister in Guatemala (tel.)</i> Request for report as to whether any action by Guatemala may be expected soon.	587
Apr. 27 (15)	<i>From the Minister in Guatemala (tel.)</i> Expectation that a copy of the report of the Minister of Hacienda will be received very soon.	588
May 2 (621)	<i>From the Minister in Guatemala</i> Transmittal of several documents indicating unfavorable attitude of Guatemalan authorities toward the proposed trade agreement.	588
May 7 (637)	<i>From the Minister in Guatemala</i> Discussion with the Foreign Minister regarding desire of Guatemalan Government for the guarantee of a coffee market at a favorable price.	590
May 21 (198)	<i>To the Minister in Guatemala</i> Considerations, in connection with Guatemalan objections to proposed trade agreement, to be presented orally to President Ubico, the Foreign Minister, and other officials of the Government.	591
June 3 (18)	<i>To the Minister in Guatemala (tel.)</i> Request for cabled report on reaction of Guatemalan Government to Department's instruction No. 198 of May 21.	594
June 3 (28)	<i>From the Minister in Guatemala (tel.)</i> Characterization of attitude of President Ubico and Foreign Minister as being noncommittal on details, but sympathetic with broad general purposes of trade agreements program.	594
June 4 (29)	<i>From the Minister in Guatemala (tel.)</i> Friendly desire of Guatemalan officials to cooperate; suggested compensating advantage in control of contraband trade in chicle.	594
June 4 (671)	<i>From the Minister in Guatemala</i> Confirmation and elaboration of telegrams Nos. 28 and 29.	595
June 6 (19)	<i>To the Minister in Guatemala (tel.)</i> Request for recommendation of course of action to bring about prompt and successful conclusion of negotiations.	596
June 9 (30)	<i>From the Minister in Guatemala (tel.)</i> Recommendation that Department allow broad limits for negotiations in Guatemala by the Legation, subject to approval.	597

GUATEMALA

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

Date and number	Subject	Page
1935		
July 3 (20)	<i>To the Chargé in Guatemala (tel.)</i> Instructions to complete negotiations as expeditiously as possible and on best obtainable terms, on an <i>ad referendum</i> basis.	597
July 8 (34)	<i>From the Chargé in Guatemala (tel.)</i> Advice that the Foreign Minister will arrange for the Chargé and the Consul General to confer with Minister of Hacienda and Director of Customs.	598
July 9 (707)	<i>From the Chargé in Guatemala</i> Memorandum handed to the Foreign Minister July 8 (text printed) indicating U. S. interest in concluding a satisfactory trade agreement; Foreign Minister's reiteration of Guatemalan desire to conclude agreement in order to lend moral support to the trade agreements program.	598
July 10 (22)	<i>To the Chargé in Guatemala (tel.)</i> Request for list of exports on which Guatemala desires continued free entry.	600
July 15 (36)	<i>From the Chargé in Guatemala (tel.)</i> Favorable attitude of Minister of Hacienda, who is ordering immediate study to determine what tariff concessions might be granted.	601
July 26 (719)	<i>From the Chargé in Guatemala</i> Foreign Minister's assurance of conclusion of a trade agreement along broad lines, and his explanation as to why no great tariff concessions might be expected.	601
Aug. 8 (38)	<i>From the Chargé in Guatemala (tel.)</i> Principal features of counterproposal suggested by Minister of Hacienda.	602
Aug. 10 (729)	<i>From the Chargé in Guatemala</i> Study made by Minister of Hacienda (text printed) containing the suggested counterproposals; probability of Guatemalan additional request for concession regulating imports of chicle.	602
Aug. 20 (39)	<i>From the Chargé in Guatemala (tel.)</i> Advice that Guatemalan Government awaits Department's observations regarding Minister of Hacienda's study, prior to submitting a formal counterproposal.	604
Aug. 22 (24)	<i>To the Chargé in Guatemala (tel.)</i> Instructions to inform the Guatemalan Government concerning U. S. attitude toward the conditions transmitted in despatch No. 729 of August 10.	604
Aug. 22 (25)	<i>To the Chargé in Guatemala (tel.)</i> Suggestions and requests for changes in counterproposals with respect to certain items in schedule I.	606
Aug. 24 (221)	<i>To the Chargé in Guatemala</i> Revised draft of the General Provisions for presentation to the Guatemalan Government.	607

GUATEMALA

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

Date and number	Subject	Page
1935		
Aug. 26 (40)	<i>From the Chargé in Guatemala (tel.)</i> Delivery of memorandum, based on Department's telegrams Nos. 24 and 25 of August 22, to the Minister of Hacienda.	607
Aug. 26 (740)	<i>From the Chargé in Guatemala</i> Foreign Minister's desire to have chicle considered in list of concessions.	608
Sept. 5 (42)	<i>From the Chargé in Guatemala (tel.)</i> Discussion with Minister of Hacienda concerning Guatemalan position on various items in the schedules.	608
Sept. 6 (754)	<i>From the Chargé in Guatemala</i> Recapitulation of recent conversations with the Minister of Hacienda, and transmittal of memoranda and other documents exchanged.	609
Oct. 23 (230)	<i>To the Chargé in Guatemala</i> Tentative final draft of trade agreement, with instructions to telegraph Department as soon as complete accord on text has been reached.	611
Nov. 16 (824)	<i>From the Chargé in Guatemala</i> Advice that President Ubico has indicated his unofficial approval of the agreement but is still concerned that the question of chicle remains unsettled.	612
Dec. 7 (66)	<i>From the Minister in Guatemala (tel.)</i> President Ubico's acceptance of a proposal that the United States indicate its intention to "continue to cooperate" with Guatemala in efforts to end illicit traffic in chicle.	613
Dec. 13 (36)	<i>To the Minister in Guatemala (tel.)</i> Opinion that United States could not legally take steps to aid Guatemala in the chicle problem; suggestion, however, of a note (text printed) giving assurance of U. S. willingness to study any proposal designed to control the traffic in chicle.	614

ATTITUDE OF THE UNITED STATES TOWARDS THE CONTINUANCE IN OFFICE OF THE PRESIDENT OF GUATEMALA BEYOND HIS CONSTITUTIONAL TERM

1935		
Feb. 28 (551)	<i>From the Minister in Guatemala</i> Information regarding project for amending the Guatemalan Constitution to permit President Ubico to succeed himself after the completion of his present term in office.	614
Apr. 6 (598)	<i>From the Minister in Guatemala</i> Proposed amendments to the Guatemalan Constitution now under consideration in the Legislative Assembly.	615
Apr. 10 (13)	<i>From the Minister in Guatemala (tel.)</i> Legislative Assembly's receipt of petitions from 246 municipalities urging amendment of the Constitution to permit reelection of President Ubico.	616
Apr. 16 (607)	<i>From the Minister in Guatemala</i> Transmittal of Decree No. 2067 providing for a Constituent Assembly to draft amendments; discussion of legality of action.	616

GUATEMALA

ATTITUDE OF THE UNITED STATES TOWARDS THE CONTINUANCE IN OFFICE OF THE
PRESIDENT OF GUATEMALA BEYOND HIS CONSTITUTIONAL TERM—Continued

Date and number	Subject	Page
1935 Apr. 30 (11)	<i>To the Minister in Guatemala (tel.)</i> Instructions to take whatever steps may be deemed necessary to correct any existing impression that the U. S. Government sympathizes with any plan to amend the Guatemalan Constitution illegally, or to continue President Ubico in power contrary to its provisions.	619
Apr. 30 (619)	<i>From the Minister in Guatemala</i> Information regarding the variety of attitudes in Guatemala toward pending elections for members of the Constituent Assembly.	620
May 2 (17)	<i>From the Minister in Guatemala (tel.)</i> Desire for Department's views on one or two specific points which will be submitted by next air mail.	621
May 4 (13)	<i>To the Minister in Guatemala (tel.)</i> Request that the specific points on which Department's views are desired be telegraphed.	621
May 5 (20)	<i>From the Minister in Guatemala (tel.)</i> Belief that any statement of U. S. position at this time might be misinterpreted in Guatemala, and the undesirable consequences would outweigh the advantages.	622
May 7 (15)	<i>To the Minister in Guatemala (tel.)</i> Instructions to show Department's telegram No. 11, April 30, to President Ubico or explain U. S. position orally; concern of U. S. Government over tendency of Central American Governments to alter constitutional manner of succession to the Presidency by illegal methods.	622
May 10 (21)	<i>From the Minister in Guatemala (tel.)</i> Compliance with Department's instructions to explain position orally to President Ubico.	623
May 10 (23)	<i>From the Minister in Guatemala (tel.)</i> Explanation of Department's position to the Foreign Minister.	623
May 11 (645)	<i>From the Minister in Guatemala</i> Detailed account of the interviews with the President and Foreign Minister at which a statement (text printed) explaining the U. S. position was read.	624
May 14 (646)	<i>From the Minister in Guatemala</i> Request by the Foreign Minister to see a copy of the statement; his explanation of the President's pained reaction to it.	628
May 24 (199)	<i>To the Minister in Guatemala</i> Disapproval of statement read to President and Foreign Minister as being a misinterpretation of Department's No. 11, April 30; instructions to indicate informally that the U. S. Government has no attitude, sympathetic or unsympathetic, on what it considers an internal matter.	630
June 3 (669)	<i>From the Minister in Guatemala</i> Compliance with instruction No. 199 of May 24; explanation of understanding of earlier instructions.	632
June 25 (692)	<i>From the Chargé in Guatemala</i> Report on "Consultation" held June 22-24, resulting in a large majority in favor of continuance in office of President Ubico.	634

GUATEMALA

ATTITUDE OF THE UNITED STATES TOWARDS THE CONTINUANCE IN OFFICE OF THE
PRESIDENT OF GUATEMALA BEYOND HIS CONSTITUTIONAL TERM—Continued

Date and number	Subject	Page
1935 July 22 (716)	<i>From the Chargé in Guatemala</i> Note from the Foreign Minister, July 17 (text printed), reviewing results of the "Consultation". Information that similar notes were sent to the other diplomatic missions in Guatemala.	635
July 30	<i>From President Ubico to President Roosevelt</i> Announcement of continuation in office as result of plebiscite and decree of Constituent Assembly; desire for continued friendly relations with the United States.	636
Sept. 10 (26)	<i>To the Chargé in Guatemala (tel.)</i> Request for information as to replies of other governments to the Foreign Minister's note of July 17.	637
Sept. 10 (44)	<i>From the Chargé in Guatemala (tel.)</i> Action of other governments with reference to note of July 17.	637
Sept. 12 (27)	<i>To the Chargé in Guatemala (tel.)</i> Note to be addressed to the Foreign Minister (text printed) in reply to the latter's communication of July 17.	638
Sept. 20 (77)	<i>From the Minister in Nicaragua (tel.)</i> Inquiry from the Foreign Minister regarding the nature of the U. S. Government's reply to President Ubico's letter of July 30 to President Roosevelt.	638
Sept. 25 (337)	<i>To the Minister in Nicaragua</i> Information that the usual reply will be made by President Roosevelt to President Ubico's letter; information also concerning Guatemalan note of July 17 and U. S. reply.	639
Sept. 26	<i>From President Roosevelt to President Ubico</i> Acknowledgment of letter of July 30, and reciprocation of friendly sentiments. (Footnote: Transmitted to Chargé in Guatemala November 4.)	639
Oct. 8 (58)	<i>To the Minister in Nicaragua (tel.)</i> Instructions to make no further statement which might commit U. S. Government in any way under provisions of Central American Treaty of 1923.	640
Nov. 11 (816)	<i>From the Chargé in Guatemala</i> Importance attributed by Guatemalan Government to President Roosevelt's autographed reply to President Ubico.	640

HAITI

RECIPROCAL TRADE AGREEMENT BETWEEN THE UNITED STATES AND HAITI,
SIGNED MARCH 28, 1935

1935 Jan. 3 (1)	<i>From the Minister in Haiti (tel.)</i> For Assistant Secretary of State Welles: Talks with Foreign Minister indicating Haitian intention to maintain Montevideo economic commitments. Complication of "donnant donnant" principle in pending new treaty negotiations with France and Italy, chief markets for Haitian coffee.	642
-----------------------	--	-----

HAITI

RECIPROCAL TRADE AGREEMENT BETWEEN THE UNITED STATES AND HAITI,
SIGNED MARCH 28, 1935—Continued

Date and number	Subject	Page
1935		
Jan. 22	<i>Memorandum by the Chief of the Division of Latin American Affairs</i> Conversation with Haitian Minister and Mr. de la Rue, Fiscal Representative of Haiti, who were reminded that Haiti must accept the most-favored-nation clause before further consideration could be given to proposed trade agreement.	642
Jan. 22 (3)	<i>To the Minister in Haiti (tel.)</i> Instructions to attempt to reach an understanding with the Foreign Minister in regard to unconditional adherence to the most-favored-nation clause.	643
Jan. 24 (6)	<i>From the Minister in Haiti (tel.)</i> Foreign Minister's explanation of Haiti's difficulty in negotiations with France and Italy if most-favored-nation clause is adopted; his willingness to accept suggestion of formula to overcome difficulty.	644
Jan. 26	<i>Memorandum by the Chief of the Division of Latin American Affairs</i> Conversation with the Haitian Minister; agreement on plan for preparation of redraft of agreement and schedules.	645
Feb. 1	<i>To the Haitian Legation</i> Transmittal of draft proposal containing revised lists of concessions and assurances; reservation of right to suggest changes prior to final approval by both Governments.	646
Feb. 20 (10)	<i>From the Minister in Haiti (tel.)</i> Haiti's request for one change in schedule I.	647
Feb. 23 (13)	<i>From the Minister in Haiti (tel.)</i> Information that the Haitian Minister in Washington has been authorized to sign trade agreement after minor changes.	647
Mar. 6 (7)	<i>To the Minister in Haiti (tel.)</i> Instructions to submit to Haitian Government a suggested change in article IV of English text.	648
Mar. 19 (18)	<i>From the Minister in Haiti (tel.)</i> Request for indication of Department's attitude on trade agreement and on other matters.	649
Mar. 20 (8)	<i>To the Minister in Haiti (tel.)</i> Advice of tentative plan to sign trade agreement, and of status of other matters under reference.	649
Mar. 22 (20)	<i>From the Chargé in Haiti (tel.)</i> Haitian President's instructions to the Haitian Minister in Washington to sign trade agreement as now drafted.	650
	(Note: Citation to text of trade agreement.)	650

GOOD OFFICES OF THE UNITED STATES IN EFFECTING A RENEWAL OF THE FRANCO-HAITIAN COMMERCIAL AGREEMENT

1935		
Mar. 12 (565)	<i>From the Minister in Haiti</i> Haitian explanation of its predicament in trade situation and hope for U. S. good offices toward inducing France to restrict its demands on Haiti.	650

HAITI

GOOD OFFICES OF THE UNITED STATES IN EFFECTING A RENEWAL OF THE FRANCO-HAITIAN COMMERCIAL AGREEMENT—Continued

Date and number	Subject	Page
1935 May 21 (37)	<i>From the Chargé in Haiti (tel.)</i> French ultimatum making a renewal of its commercial agreement contingent upon Haitian resumption of payment in gold of the arrears of the 1910 loan service.	655
May 23 (19)	<i>To the Chargé in Haiti (tel.)</i> Indication to the French Chargé that a satisfactory basis appears to exist for a commercial agreement between France and Haiti along lines of the <i>avenant</i> of last year.	656
May 24 (40)	<i>From the Chargé in Haiti (tel.)</i> Communication to the Foreign Minister of information contained in Department's telegram No. 19 of May 23; Foreign Minister's appreciation.	657
May 25 (41)	<i>From the Chargé in Haiti (tel.)</i> Exchange of telegrams between U. S. Minister to Haiti, at present in Paris, and the Fiscal Representative of Haiti in effort to secure French reconsideration of loan payment demands.	657
May 31 (640)	<i>From the Chargé in Haiti</i> Résumé of developments. Advice that France has announced expiration of trade agreement with Haiti as of May 26. Favorable effect in Haiti of Department's attitude toward loan payments.	658
June 1	<i>Memorandum by the Secretary of State of a Conversation With the French Ambassador</i> Ambassador's promise to send another telegram urging favorable action by his Government in the Haitian matter.	660
June 4 (45)	<i>From the Chargé in Haiti (tel.)</i> Information that all French imports will now be subject to maximum tariff.	660
June 14 (47)	<i>From the Chargé in Haiti (tel.)</i> President's concern over early renewal of commercial agreement with France in view of forthcoming coffee harvest, and his inquiry as to U. S. attitude toward an agreement with France on basis of French specialties.	661
June 20 (21)	<i>To the Chargé in Haiti (tel.)</i> Instructions to indicate to Haitian President that there appears to be a satisfactory basis for a treaty with France along the lines of the recently expired <i>avenant</i> ; U. S. unwillingness to give up most-favored-nation treatment with respect to any items.	661
June 21 (49)	<i>From the Chargé in Haiti (tel.)</i> President Vincent's statement that the Haitian Government is making overtures to French Legation with respect to new trade agreement with France; that he is counting on U. S. assistance in the 1910 loan matter.	662
June 29 (23)	<i>To the Chargé in Haiti (tel.)</i> Request for opinion as to whether there has been any amelioration in the French attitude.	663
July 1 (52)	<i>From the Chargé in Haiti (tel.)</i> Advice that apparently there has been no change in official French attitude.	663

HAITI

GOOD OFFICES OF THE UNITED STATES IN EFFECTING A RENEWAL OF THE FRANCO-HAITIAN COMMERCIAL AGREEMENT—Continued

Date and number	Subject	Page
1935		
July 1 (53)	<i>From the Chargé in Haiti (tel.)</i> Request by Haitian Minister at Paris for extension of old <i>avenant</i> pending negotiation of new treaty; his hope for a favorable reply and for separate treatment of the loan matter.	664
July 5 (54)	<i>From the Chargé in Haiti (tel.)</i> Unofficial suggestion from French Foreign Office that old <i>avenant</i> might be extended on certain bases.	664
July 6 (57)	<i>From the Chargé in Haiti (tel.)</i> Renewal of Franco-Haitian trade agreement on certain conditions; Haitian agreement to discuss separately the 1910 loan question but not to submit it to arbitration.	664
July 10 (28)	<i>To the Chargé in Haiti (tel.)</i> Instructions for informal representations relative to the conditions of the extension of the agreement with France, and relative to gold service on the loan of 1910.	665
July 11 (60)	<i>From the Chargé in Haiti (tel.)</i> Advice of safeguard exacted by Haiti in the agreement with France, and of assurance that Haiti would give no commitment on the loan matter.	665
July 18 (61)	<i>From the Chargé in Haiti (tel.)</i> Haitian Government's expression of appreciation for U. S. assistance in renewal of the Franco-Haitian trade agreement and hope of further help in the event of French denunciation under the month's notice clause.	666

ATTITUDE OF THE UNITED STATES TOWARDS THE PROPOSED DEBACHY LOAN CONTRACT

1935		
Aug. 21 (66)	<i>From the Chargé in Haiti (tel.)</i> Advice of President's intention to call a special session of the legislature to discuss a "Contract" which may be connected with a rumored new foreign loan.	667
Aug. 23 (67)	<i>From the Chargé in Haiti (tel.)</i> Summary of seemingly official press communiqué giving details of proposed contract.	668
Aug. 23 (68)	<i>From the Chargé in Haiti (tel.)</i> Foreign Minister's confirmation of newspaper data and indication of intention to pay off 1922 loan; opinion that the scheme appears to aim at authorization of a contract to allow Debachy to seek out international capital.	668
Aug. 24 (31)	<i>To the Chargé in Haiti (tel.)</i> Instructions to inform President Vincent of U. S. surprise at Haiti's pending large-scale foreign financing without prior discussion with U. S. Government or with the Fiscal Representative.	669
Aug. 26 (70)	<i>From the Chargé in Haiti (tel.)</i> Conversation with President Vincent, who expressed regret that he was unable to inform the United States earlier owing to nebulous nature of matter prior to Debachy's recent arrival.	670

HAITI

ATTITUDE OF THE UNITED STATES TOWARDS THE PROPOSED DEBACHY LOAN CONTRACT—Continued

Date and number	Subject	Page
1935		
Aug. 28 (71)	<i>From the Chargé in Haiti (tel.)</i> Further information on the proposed loan contract as presented to the Haitian Congress.	671
Aug. 28 (741)	<i>From the Chargé in Haiti</i> Transmittal of proposed loan contract, with comments on various articles.	672
Aug. 29 (73)	<i>From the Chargé in Haiti (tel.)</i> Summary of note from Foreign Minister explaining Haitian position on the loan as a legitimate desire to be free of foreign financial control.	674
Sept. 3 (77)	<i>From the Minister in Haiti (tel.)</i> Promulgation of the law of sanction of the Debachy contract; résumé of points raised in talk with the Foreign Minister.	674
Sept. 5 (38)	<i>To the Minister in Haiti (tel.)</i> Instructions to indicate to the Foreign Minister, in a friendly manner, the various disadvantages that may accrue from the new loan contract; also to point out that text of the contract does not mention redemption of the 1922 loan.	676
Sept. 7 (80)	<i>From the Minister in Haiti (tel.)</i> Detailed résumé of points taken up with the President, and his assurances with respect to the 1922 loan; delivery of an <i>aide-mémoire</i> covering the various points.	679
Sept. 9	<i>From the Haitian Department of Foreign Relations to the American Legation in Haiti</i> Point by point reply to Legation's <i>aide-mémoire</i> of September 7.	681
Sept. 11 (84)	<i>From the Minister in Haiti (tel.)</i> Receptive attitude of Haitian officials toward proposals prepared by De la Rue, Fiscal Representative of Haiti, concerning method of refunding the 1922 loan.	687
Sept. 13 (85)	<i>From the Minister in Haiti (tel.)</i> Departure of De la Rue for the United States to work out the 1922 loan refunding details with the Department.	687
Sept. 19 (48)	<i>To the Minister in Haiti (tel.)</i> Receipt of information that French contractors believe new loan funds will be devoted entirely to public works; instructions to ask President Vincent to advise French Government of the necessity of refunding the 1922 loan prior to devoting funds to public works.	688
Sept. 20 (49)	<i>To the Minister in Haiti (tel.)</i> Further reason why President Vincent should advise the French Government on the matter of refunding the 1922 loan.	688
Sept. 21 (90)	<i>From the Minister in Haiti (tel.)</i> Discussion with President Vincent, who said that he could not take the action requested; summary of his point of view.	689
Sept. 21	<i>From the Haitian Minister for Foreign Affairs to the American Minister in Haiti</i> Confirmation of President's rejection of U. S. request that he advise French Government in regard to the 1922 loan redemption matter.	691

HAITI

ATTITUDE OF THE UNITED STATES TOWARDS THE PROPOSED DEBACHY LOAN
CONTRACT—Continued

Date and number	Subject	Page
1935		
Oct. 3 (92)	<i>From the Minister in Haiti (tel.)</i> Apparent misunderstanding by President Vincent, attributed to language differences, in regard to interest payments on the 1922 bonds up to their respective call dates.	692
Oct. 10 (55)	<i>To the Minister in Haiti (tel.)</i> Conversation with Haitian Minister, reviewing U. S. position relative to question of interest payments on any 1922 bonds not retired before the call date.	694
Oct. 14 (56)	<i>To the Minister in Haiti (tel.)</i> Instructions to ask President Vincent for the documents promised in connection with the Debachy contract.	696
Oct. 18 (40)	<i>From the Minister in Haiti</i> Conversation with President Vincent and his subsequent approval of plan to deposit with the Fiscal Agent sufficient funds to pay off all outstanding bonds with interest to their call dates.	696
Nov. 29 (111)	<i>From the Chargé in Haiti (tel.)</i> Chargé's talk with Foreign Minister, who showed him Debachy's brief letter to the President, indicated that there was no other correspondence, and said that he assumed Debachy would carry out contract as stipulated.	697
Dec. 12 (117)	<i>From the Minister in Haiti (tel.)</i> Information from the Foreign Minister indicating Haitian intention to make a compromise payment to France on the 1910 loan despite earlier assurances to the contrary.	698
Dec. 18 (119)	<i>From the Minister in Haiti (tel.)</i> Report of deposit in New York covering first installment of Debachy loan to Haitian Government.	700
1936 Jan. 21 (125)	<i>From the Minister in Haiti</i> President Vincent's decision to denounce Debachy contract, in view of failure to pay first installment, and desire to negotiate a new American loan.	701

SALE OF THE BANQUE NATIONALE DE LA RÉPUBLIQUE D'HAÏTI BY THE NATIONAL
CITY BANK OF NEW YORK TO THE REPUBLIC OF HAÏTI

1935		
Feb. 23 (549)	<i>From the Minister in Haiti</i> Considerations in regard to the constitutionality and the public policy entailed in the bank sale plan, looking to eventual withdrawal of the United States from participation in Haitian financial affairs.	703
Mar. 11 (563)	<i>From the Minister in Haiti</i> Résumé of events in connection with the bank matter from the May 12, 1934, contract; suggestion that an early decision on U. S. policy should be made.	709
Mar. 25	<i>Memorandum by the Assistant Chief of the Division of Latin American Affairs</i> Record of conversation between Department and National City Bank officials regarding developments in Haitian bank sale transaction.	714

HAITI

SALE OF THE BANQUE NATIONALE DE LA RÉPUBLIQUE D'HAÏTI BY THE NATIONAL CITY BANK OF NEW YORK TO THE REPUBLIC OF HAÏTI—Continued

Date and number	Subject	Page
1935		
Mar. 28 (22)	<i>From the Chargé in Haiti (tel.)</i> Haitian Senate's sanction of bank purchase contract, presumably with only minor textual changes in 1934 contract.	716
Mar. 28 (23)	<i>From the Chargé in Haiti (tel.)</i> Advice that Chamber of Deputies has passed the bill of sanction for bank purchase contract.	716
Mar. 29 (579)	<i>From the Chargé in Haiti</i> Telegram from National City Bank (text printed) to the Director of the Banque Nationale expressing concern over Department's reservations as to validity of endorsement by present Haitian legislature, and possibility of future difficulties. Inquiry as to Department's attitude.	717
Apr. 1 (580)	<i>From the Chargé in Haiti</i> Comments on the President's attitude toward telegram from National City Bank, and on changes in the Law of Sanction which appear to affect substance of the 1934 contract.	719
Apr. 10 (28)	<i>From the Chargé in Haiti (tel.)</i> Departure of De la Rue to conduct direct negotiations with the National City Bank for completion of bank purchase contract.	720
Apr. 17 (278)	<i>To the Chargé in Haiti</i> Transmittal of memorandums of conversation dated March 25 to indicate that the U. S. Government has made no commitment in the bank matter.	721
Apr. 23	<i>Memorandum by the Assistant Chief of the Division of Latin American Affairs</i> Conversation between Department officials and De la Rue, who explained the necessity of redrafting the contract, spoke of political complications in Haiti, and referred to Japanese trade proposals.	721
May 17 (34)	<i>From the Chargé in Haiti (tel.)</i> Passage by the Chamber of Deputies of a bill authorizing the Government to sign the revised contract for the purchase of the Banque Nationale.	723
May 21 (38)	<i>From the Chargé in Haiti (tel.)</i> Passage by the Senate of the bill, without modification.	723
June 19 (48)	<i>From the Chargé in Haiti (tel.)</i> Uncertainty in bank purchase situation due to National City Bank's delay in agreeing to carry out the transaction and in submitting panels to President Vincent for selection of new directorate.	723
June 22 (22)	<i>To the Chargé in Haiti (tel.)</i> Deferral of submission of a panel by the Foreign Bondholders Protective Council until meeting of Executive Committee.	724
June 28	<i>To the Vice President of the Foreign Bondholders Protective Council, Inc.</i> Explanation of Department's policy governing the suggested treaty arrangement between the United States and Haiti to be entered into after the Haitian purchase of the Banque Nationale.	724

HAITI

SALE OF THE BANQUE NATIONALE DE LA RÉPUBLIQUE D'HAÏTI BY THE NATIONAL CITY BANK OF NEW YORK TO THE REPUBLIC OF HAÏTI—Continued

Date and number	Subject	Page
1935		
July 6 (56)	<i>From the Chargé in Haiti (tel.)</i> From De la Rue: Request for instructions as to whether to proceed with transfer of bank as planned.	726
July 8 (27)	<i>To the Chargé in Haiti (tel.)</i> Information for De la Rue that Department feels it cannot comment, since bank sale is a transaction entirely between Haitian Government and National City Bank.	726
July 8 (680)	<i>From the Chargé in Haiti</i> Information on signing of bank sale contract, election of new officers, and confirmation of all employees in their present positions.	727

HONDURAS

RECIPROCAL TRADE AGREEMENT BETWEEN THE UNITED STATES AND HONDURAS,
SIGNED DECEMBER 18, 1935

1935		
Jan. 14 (653)	<i>To the Chargé in Honduras</i> Expectation that a tentative list of concessions and assurances desired from Honduras, known as schedule I, will be ready to submit soon.	729
Feb. 5 (664)	<i>To the Minister in Honduras</i> Transmittal of schedule I, together with an <i>aide-mémoire</i> (text printed) to be presented to the Foreign Minister.	730
Feb. 13 (1339)	<i>From the Minister in Honduras</i> Discussion with Finance Minister concerning tariff concessions in connection with the projected Honduran trade agreement.	732
Feb. 19 (671)	<i>To the Minister in Honduras</i> Transmittal of draft of the General Provisions which the United States desires to have incorporated into the trade agreement, and an <i>aide-mémoire</i> for submission to the Honduran Government.	733
Feb. 28 (1351)	<i>From the Minister in Honduras</i> Elements retarding progress in negotiations for a trade agreement.	733
Mar. 7 (1359)	<i>From the Minister in Honduras</i> Advice that Department's suggested addition to schedule I, exempting certain U. S. products from municipal taxes inaugurated March 3, 1934, was explained to the Foreign Minister and an <i>aide-mémoire</i> left with him.	735
Mar. 12 (14)	<i>From the Minister in Honduras (tel.)</i> Honduran consideration of maximum-minimum type of tariff; inquiry as to whether Legation should make any statement to the Foreign Minister in this matter.	736
Mar. 13 (12)	<i>To the Minister in Honduras (tel.)</i> Advice that Department sees no reason for making any statement.	736

HONDURAS

RECIPROCAL TRADE AGREEMENT BETWEEN THE UNITED STATES AND HONDURAS,
SIGNED DECEMBER 18, 1935—Continued

Date and number	Subject	Page
1935		
May 10 (1413)	<i>From the Chargé in Honduras</i> Note from the Foreign Office submitting Honduran list of articles to be placed in schedule II of the proposed trade agreement.	737
May 17 (1415)	<i>From the Chargé in Honduras</i> Transmittal of schedule I as accepted by Honduras, for U. S. approval; also memorandum regarding the articles under consideration for the proposed trade agreement.	737
June 3 (20)	<i>To the Chargé in Honduras (tel.)</i> Inquiry as to what the effect will be on schedule I if all schedule II concessions cannot be granted; request for all available data on subject of concession on woven hats.	739
June 3 (21)	<i>To the Chargé in Honduras (tel.)</i> Request for views on working out some acceptable concession on flour and lard.	739
June 6 (25)	<i>From the Chargé in Honduras (tel.)</i> Honduran opposition to any concession on either flour or lard.	740
June 7 (1430)	<i>From the Chargé in Honduras</i> Advice that U. S. inability to meet all requests on schedule II will have no effect on schedule I as approved by Honduras; situation with regard to woven hats.	740
June 15 (703)	<i>To the Chargé in Honduras</i> Transmittal of schedule II, with comments on certain items; inquiry as to status of General Provisions.	741
June 26 (27)	<i>From the Chargé in Honduras (tel.)</i> Honduran acceptance of schedule II. Desire that agreement be completed promptly, because of threatened difficulty over question of pharmaceutical fees.	743
June 28 (1447)	<i>From the Chargé in Honduras</i> Advice that information on General Provisions will be transmitted soon; request that Department's comments thereon be telegraphed in order to hasten completion of agreement.	743
June 29 (23)	<i>To the Chargé in Honduras (tel.)</i> Suggestion regarding wheat and wheat flour, and instructions to cable personal reaction. Instructions for discussing the most-favored-nation article with the Honduran Government.	744
July 29 (37)	<i>From the Minister in Honduras (tel.)</i> Suggestion that the presentation of a tentative completed draft of the General Provisions and schedules I and II would expedite matters.	745
Aug. 2 (33)	<i>To the Minister in Honduras (tel.)</i> Plan to submit a tentative final draft of agreement, as suggested.	745
Aug. 24 (15)	<i>To the Minister in Honduras</i> Transmittal of tentative final draft of agreement with explanation of omissions, additions, and revisions.	746

HONDURAS

RECIPROCAL TRADE AGREEMENT BETWEEN THE UNITED STATES AND HONDURAS,
SIGNED DECEMBER 18, 1935—Continued

Date and number	Subject	Page
1935 Sept. 11 (39)	<i>From the Minister in Honduras</i> Foreign Minister's delay in commenting on tentative draft of agreement due to illness of Finance Minister, whose official opinion is desired.	748
Sept. 24 (48)	<i>From the Minister in Honduras (tel.)</i> Information as to Honduran plans to appoint Flores Fiallos as plenipotentiary to sign the trade agreement.	748
Sept. 26 (43)	<i>To the Minister in Honduras (tel.)</i> Details of plans for concluding the trade agreement; advice that full powers for signing will be sent by airmail. Assumption that agreement will be submitted to Honduran Congress for ratification.	749
Sept. 27 (51)	<i>From the Minister in Honduras (tel.)</i> Confirmation of Department's assumption that agreement must be submitted to Honduran Congress for ratification.	749
	(Note: Citation to text of agreement signed December 18, 1935.)	750

RESERVATION BY HONDURAS OF CLAIM TO SOVEREIGNTY OVER SWAN ISLANDS
DESCRIBED IN NAVY DEPARTMENT PUBLICATION AS UNDER THE DOMINION
OF THE UNITED STATES

1935 Dec. 12	<i>From the Honduran Chargé</i> Formal protest against map designation of Swan Islands as a possession of the United States, and statement for the record that islands are under the sovereignty of Honduras.	750
Dec. 12	<i>Memorandum by the Assistant Chief of the Division of Latin American Affairs</i> Conversation with the Honduran Chargé, who said that presentation of the note of protest was merely to keep the record clear, not to create an incident.	752

MEXICO

INFORMAL DISCUSSIONS WITH A VIEW TO THE SETTLEMENT OF AMERICAN AGRARIAN
CLAIMS AGAINST MEXICO PENDING BEFORE THE GENERAL CLAIMS COM-
MISSION

1935 Apr. 4	<i>To Mr. Joseph R. Baker, Assistant to the Legal Adviser, and Mr. Peter H. A. Flood, Foreign Service Officer</i> Instructions to proceed to Mexico City for an informal discussion provided for in the protocol signed on April 24, 1934, and to arrange for a just settlement of all agrarian claims if possible.	753
	(Note: Information that discussions were carried on without reaching an agreement.)	754

MEXICO

INFORMAL DISCUSSIONS WITH A VIEW TO THE SETTLEMENT OF AMERICAN AGRARIAN CLAIMS AGAINST MEXICO PENDING BEFORE THE GENERAL CLAIMS COMMISSION—Continued

Date and number	Subject	Page
1935		
Nov. 2 (922)	<i>To the Ambassador in Mexico</i> Instructions to present Department's objections to Mexican draft respecting disposition of the agrarian claims; opinion that without prompt Mexican recession from its position, the negotiations will be considered terminated.	754
Nov. 9	<i>From the Ambassador in Mexico</i> Presentation of views supporting acceptance of Mexican draft and request for further advice concerning submission of Department's objections.	757
Nov. 14	<i>To the Ambassador in Mexico</i> Reiteration of Department's adherence to the principle of full compensation for lands taken from Americans.	759
Nov. 27 (3083)	<i>From the Ambassador in Mexico</i> Letter to the Mexican negotiator, dated November 22 (text printed), presenting Department's position in regard to proposed protocol.	760
Dec. 14 (255)	<i>From the Ambassador in Mexico (tel.)</i> Adverse attitude of Mexican Government toward Department's proposition in regard to the agrarian claims.	764

CONCERN OF THE UNITED STATES RESPECTING DIFFICULTIES EXPERIENCED BY AMERICAN PETROLEUM INTERESTS IN MEXICO

1935		
Mar. 23 (673)	<i>To the Ambassador in Mexico</i> Instructions for informal conversations with Mexican officials in an effort to avoid controversy over legitimate petroleum interests of American citizens.	764
Apr. 12 (2450)	<i>From the Ambassador in Mexico</i> Memorandum of conversation with the Foreign Minister (text printed) concerning the petroleum question, the possibility of payment for agrarian expropriations, and the politico-religious situation.	766

REPRESENTATIONS AGAINST FURTHER EXPROPRIATION BY THE MEXICAN GOVERNMENT OF LANDS OWNED BY AMERICAN CITIZENS UNTIL AUTHORIZATION FOR PAYMENT BE MADE

1935		
June 13 (2635)	<i>From the Chargé in Mexico</i> Review of present agrarian situation insofar as it affects American citizens.	770
Sept. 19 (2899)	<i>From the Ambassador in Mexico</i> Representations, with written confirmation (text printed) to the Acting Foreign Minister, relative to payment for expropriated land, and emphasizing suggestion that no more land belonging to Americans be dotated until provision is made for payment.	776

MEXICO

REPRESENTATIONS AGAINST FURTHER EXPROPRIATION BY THE MEXICAN GOVERNMENT OF LANDS OWNED BY AMERICAN CITIZENS UNTIL AUTHORIZATION FOR PAYMENT BE MADE—Continued

Date and number	Subject	Page
1935 Sept. 28 (888)	<i>To the Ambassador in Mexico</i> Commendation for action reported in despatch No. 2899 of September 19.	778
Oct. 10 (2963)	<i>From the Ambassador in Mexico</i> Conversation between the Counselor of Embassy and the Acting Foreign Minister, who said President Cárdenas was concerned over the Ambassador's representations, and explained Mexican inability to pay for expropriated lands.	778
Oct. 23	<i>To the Ambassador in Mexico</i> Desire that the Mexican authorities be encouraged to make an oral commitment to refrain from further seizure of American-owned lands without prompt payment, although such an arrangement would fail to provide definite assurance of future security for American owners.	780
Nov. 22 (3067)	<i>From the Ambassador in Mexico</i> Discussion of complications in the payment problem with the Acting Foreign Minister; resultant recommendation that United States make no further representations until President Cárdenas has time to draw up a plan to cover the whole question.	780

ATTITUDE OF THE GOVERNMENT OF THE UNITED STATES WITH RESPECT TO THE RELIGIOUS SITUATION IN MEXICO

1934 Oct. 17	<i>Press Release Issued by the Department of State</i> Clarification by the Ambassador in Mexico of the content of a speech made by him in July to Americans in Mexico City, to counteract implications drawn from it.	782
Oct. 27	<i>Memorandum by the Under Secretary of State</i> Message authorized by President Roosevelt to be given to the National Catholic Welfare Council in regard to alleged religious implications in the Ambassador's speech. (Footnote: Text of message authorized by the President.)	783
1935 Jan. 19	<i>Memorandum by the Department of State</i> Reply (text printed) to numerous communications from members of Congress and others concerning the American Ambassador in Mexico and the reported anti-religious policies of the Mexican Government.	783
Jan. 22	<i>From the Ambassador in Mexico</i> Denial of certain interviews and statements being attributed to the Ambassador; résumé of the only views which have been expressed by him.	784
Feb. 4 (24)	<i>To the Ambassador in Mexico (tel.)</i> Request for any information substantiating allegations of mistreatment of or denial of rights to American citizens in Mexico.	785
Feb. 4 (20)	<i>From the Ambassador in Mexico (tel.)</i> Advice that allegations cannot be substantiated.	786

MEXICO

ATTITUDE OF THE GOVERNMENT OF THE UNITED STATES WITH RESPECT TO THE
RELIGIOUS SITUATION IN MEXICO—Continued

Date and number	Subject	Page
1935		
Feb. 5	<i>From the Chairman of the Senate Committee on Foreign Relations</i> Senate Resolution No. 70 (text printed), calling for investigation of alleged religious persecution and anti-religious compulsion in Mexico.	786
Feb. 6	<i>From the Chief of the Division of Mexican Affairs to the Assistant Secretary of State</i> Advice that a Department of Labor report indicates a total of only 174 religious refugees have crossed the border from Mexico in 13 months, instead of "thousands" as reported in certain press despatches.	788
Feb. 7	<i>From Senator McAdoo</i> Inquiry as to Department's attitude in regard to the passage of Senate Resolution No. 70 concerning anti-religious outbreaks in Mexico.	789
Feb. 12	<i>To the Chairman of the Senate Committee on Foreign Relations</i> Department's conviction that the passage of Senate Resolution No. 70 would militate against amicable relations with Mexico.	789
Feb. 12	<i>To Senator McAdoo</i> Opinion that the passage of Senate Resolution No. 70 would be highly undesirable.	794
Mar. 5	<i>Memorandum by the Secretary of State</i> Conversation with Mexican Ambassador in which the U. S. policy of noninterference in domestic affairs of other countries was reiterated, and assurances were given of continued effort to allay intemperate discussion and criticisms of Mexico.	794
Mar. 16	<i>To Representative Lundeen</i> Comments on a proposed resolution, received by Representative Lundeen, to recall the U. S. Ambassador in Mexico and withdraw recognition of that Government.	797
Mar. 22	<i>To Senator Schwellenbach</i> Explanation of Department's policy in reply to a suggestion for U. S. intervention in Mexican religious controversy, transmitted by the Senator.	797
Mar. 26	<i>To the Governor of Arizona</i> Reiteration of U. S. policy of noninterference in reply to a letter sent pursuant to State legislative action supporting Senate Resolution No. 70.	798
Mar. 27	<i>From the Chief of the Division of Mexican Affairs to the Assistant Secretary of State</i> Indication that the United States has not always pursued a consistent policy of nonintervention, but that it has put itself on record in favor of the policy in its ratification of the Montevideo Convention of 1933 on the Rights and Duties of States.	799
Apr. 5	<i>To the Reverend Peter J. Halpin, S. J.</i> Information that no international agreement exists by which the Mexican Government guarantees freedom of worship to American citizens residing or sojourning in Mexico.	800

MEXICO

ATTITUDE OF THE GOVERNMENT OF THE UNITED STATES WITH RESPECT TO THE
RELIGIOUS SITUATION IN MEXICO—Continued

Date and number	Subject	Page
1935		
June 8	<i>To Representative Monaghan</i> Indication that there is no discrimination in Mexico against U. S. citizens in the application of laws pertaining to the exercise of religious worship.	801
June 20	<i>Memorandum by the Secretary of State</i> Expression of gratification to the Mexican Chargé, who voiced the opinion that the recent change of government in Mexico would quiet religious controversy.	802
June 28	<i>To the Chairman of the House Committee on Foreign Affairs</i> Information relative to the effect of the Mexican religious situation on American citizens, sent in reply to House Resolution No. 277.	802
July 11 (119)	<i>From the Ambassador in Mexico</i> Conversation with the Mexican President, who indicated his primary interest in economic and educational affairs, and his understanding that several states would adopt a more moderate religious attitude.	804
Aug. 17	<i>To the Mexican Ambassador</i> Reply to inquiry concerning control of manifestations of personal hostility by U. S. citizens against the government of a friendly foreign state.	804
Sept. 12	<i>To the Mexican Ambassador</i> Reply to inquiry in regard to censorship of radio programs.	805
Sept. 23	<i>Memorandum by the Chief of the Division of Mexican Affairs</i> President Roosevelt's authorization of a statement to the effect that he is sympathetic with all people who make it clear that the American people believe in freedom of religious worship everywhere.	806
Dec. 9	<i>From the Ambassador in Mexico (tel.)</i> Conference with Mexican Ambassador to the United States, who indicated that he feels the situation with respect to agrarian and church questions is more satisfactory than heretofore.	806

REPRESENTATIONS RESPECTING INTERFERENCE WITH RADIO STATIONS IN THE
UNITED STATES BY STATIONS IN MEXICO

1935		
Feb. 2 (603)	<i>To the Ambassador in Mexico</i> Instructions to ascertain the attitude of the Mexican Government in regard to suggestions on the problem of Mexican amateur radio-telephone interference in frequency bands used in the United States; relation of convention of 1927 to situation.	806
Feb. 6 (607)	<i>To the Ambassador in Mexico</i> Instructions to make representations relative to a complaint by a Texas radio station against interference caused by a station in Mexico, under a provision of the 1927 convention.	808
Mar. 29 (2401)	<i>From the Ambassador in Mexico</i> Belief of Chief of the Radio Communications Section that the 10-kilocycle spread between the Texas and the Mexican station should be sufficient.	809

MEXICO

REPRESENTATIONS RESPECTING INTERFERENCE WITH RADIO STATIONS IN THE UNITED STATES BY STATIONS IN MEXICO—Continued

Date and number	Subject	Page
1935 Apr. 10 (2441)	<i>From the Ambassador in Mexico</i> Transmittal of communication from the Foreign Office with table of new distribution of frequency bands, purporting to be in conformity with U. S. practice; protests by Mexican amateurs against the new distribution.	810
July 15 (797)	<i>To the Ambassador in Mexico</i> Explanation that Mexican table is not in accordance with U. S. suggestions; instructions for further discussion with the Foreign Office.	810
July 22 (2756)	<i>From the Ambassador in Mexico</i> Reversal of Government's frequency distribution following strong objections by Mexican amateurs; opinion that further representations would be futile.	812
Sept. 7 (857)	<i>To the Ambassador in Mexico</i> Transmittal of correspondence with Federal Communications Commission indicating that the matter will not be pursued further at this time.	813

TREATY BETWEEN THE UNITED STATES AND MEXICO PROVIDING FOR ASSISTANCE TO AND SALVAGE OF VESSELS IN TERRITORIAL WATERS, SIGNED JUNE 13, 1935

(Note: Citation to text of treaty.)	813
-------------------------------------	-----

NICARAGUA

NEGOTIATIONS RESPECTING A TRADE AGREEMENT BETWEEN THE UNITED STATES AND NICARAGUA

1935 May 19 (40)	<i>From the Minister in Nicaragua (tel.)</i> Intention, unless otherwise instructed, to suggest that enactment into law of proposed Nicaraguan tariff bill be deferred pending negotiation of trade agreement between United States and Nicaragua.	814
May 21 (21)	<i>To the Minister in Nicaragua (tel.)</i> Suggestion that Minister remind President Sacasa of commitments relative to tariff policy made at Montevideo in 1933 while indicating that it is up to Nicaragua to decide on steps it will take in the matter.	814
June 11 (47)	<i>From the Minister in Nicaragua (tel.)</i> Advice that action on tariff bill has been deferred, and that President is ready to enter into negotiations; request for list of trade concessions desired.	815
June 11 (270)	<i>To the Minister in Nicaragua</i> U. S. views on the possibly unfavorable effects of the proposed Nicaraguan tariff law on the future course of U. S.-Nicaraguan trade relations.	815
June 18 (50)	<i>From the Minister in Nicaragua (tel.)</i> Request for authorization to include in forthcoming discussions on the tariff law an objection to the present bilateral policy of the Nicaraguan Exchange Control Commission.	818

NICARAGUA

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

Date and number	Subject	Page
1935		
June 27 (282)	<i>To the Minister in Nicaragua</i> Authorization as requested, and elaboration of U. S. views on the bilateral principle of allocating foreign exchange.	819
June 27 (52)	<i>From the Minister in Nicaragua (tel.)</i> Foreign Minister's desire that trade agreement negotiations be resumed before adjournment of the Nicaraguan Congress.	820
July 3 (28)	<i>To the Minister in Nicaragua (tel.)</i> Instructions to submit General Provisions; advice that schedule I will be transmitted soon for use in active negotiations toward an <i>ad referendum</i> agreement.	820
July 5 (917)	<i>From the Minister in Nicaragua</i> Submission of the General Provisions to the Foreign Minister in accordance with instructions.	821
July 9 (54)	<i>From the Minister in Nicaragua (tel.)</i> President's readiness to discuss principles on which negotiations will be based; information from other Government officials relating to negotiations.	821
July 16 (292)	<i>To the Minister in Nicaragua</i> Transmission of revised General Provisions, to be submitted with an <i>aide-mémoire</i> to the Nicaraguan Government.	822
July 22 (940)	<i>From the Minister in Nicaragua</i> Foreign Minister's consideration of the revised General Provisions, and his hope that schedule I will be received soon.	822
July 27 (952)	<i>From the Minister in Nicaragua</i> Report on extensive changes in Nicaraguan customs tariff, lowering the existing rate of duty.	823
Aug. 3 (305)	<i>To the Minister in Nicaragua</i> Transmittal of factual material, together with detailed instructions on negotiating trade agreement.	824
Aug. 10 (970)	<i>From the Minister in Nicaragua</i> Note to the Foreign Minister requesting a list of Nicaragua's desiderata and its view on revised General Provisions. Conversation with the President relative to procedures and tariff on sugar.	828
Aug. 17 (993)	<i>From the Minister in Nicaragua</i> Readiness of the Foreign Minister to indicate approval of General Provisions upon their approval by the President.	830
Aug. 21 (1007)	<i>From the Minister in Nicaragua</i> Inconclusive discussion of General Provisions by the Cabinet; President's promise of another meeting soon.	831
Aug. 22 (63)	<i>From the Minister in Nicaragua (tel.)</i> Request for authorization to furnish Nicaraguan Government with a simple alphabetical list of products included in schedule I, to accelerate negotiations.	832
Aug. 24 (1014)	<i>From the Minister in Nicaragua</i> Summary of points emphasized in conversation with the President and Finance Minister, indicating the advantages to Nicaragua of a trade agreement with the United States.	833

NICARAGUA

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

Date and number	Subject	Page
1935 Aug. 26 (38)	<i>To the Minister in Nicaragua (tel.)</i> Authorization to furnish list as requested in telegram No. 63 of August 22.	834
Aug. 27 (1020)	<i>From the Minister in Nicaragua</i> Advice of delivery of list (text printed) to the Foreign Minister; his opinion that negotiations will proceed without further delay.	835
Oct. 3 (1081)	<i>From the Minister in Nicaragua</i> Report on informal conference with the Minister of Hacienda concerning the General Provisions, and substance of his comments.	836
Nov. 1 (1130-A)	<i>From the Chargé in Nicaragua</i> Résumé of factors contributing to lack of Nicaraguan interest in negotiating trade agreement; opinion that there is no real reason for pushing the matter at present.	838
Nov. 6 (356)	<i>To the Chargé in Nicaragua</i> Transmittal of memorandum of a conversation with Nicaraguan officials, who expressed their intention to urge conclusion of trade agreement; instructions for an interview with President Sacasa.	840
Dec. 2 (1174)	<i>From the Chargé in Nicaragua</i> Assurance by President Sacasa of desire for a trade agreement with the United States, and intention to continue negotiations upon return of the U. S. Minister.	841

POLITICAL UNREST IN NICARAGUA; POLICY OF THE UNITED STATES NOT TO
INTERFERE IN NICARAGUAN INTERNAL AFFAIRS

1935 Mar. 15 (770)	<i>From the Minister in Nicaragua</i> Request for instructions concerning the U. S. nonintervention policy in dealing with Nicaraguan political matters in connection with the consideration of General Somoza to succeed President Sacasa.	842
Apr. 5 (236)	<i>To the Minister in Nicaragua</i> Interpretation of U. S. policy in regard to denying recognition to a regime assuming power through a <i>coup d'état</i> or a revolution.	847
Apr. 12 (20)	<i>From the Minister in Nicaragua (tel.)</i> Arrest and imprisonment of an adherent of President Sacasa, General Castro Wassmer, charged by Somoza with having bombs in his possession. (Footnote: Later release of Wassmer.)	848
Apr. 16 (808)	<i>From the Minister in Nicaragua</i> Conversation with President Sacasa, who indicated his willingness for Somoza to be the next President if constitutionally elected; Somoza's evident intention to disregard any constitutional difficulties.	848
Apr. 21 (24)	<i>From the Minister in Nicaragua (tel.)</i> Arrest of Lt. Cuadra, a Guardia officer, in attempt against Somoza's life in plot similar to earlier attempts on life of President Sacasa.	850

NICARAGUA

POLITICAL UNREST IN NICARAGUA; POLICY OF THE UNITED STATES NOT TO INTERFERE IN NICARAGUAN INTERNAL AFFAIRS—Continued

Date and number	Subject	Page
1935 Apr. 22 (28)	<i>From the Minister in Nicaragua (tel.)</i> Information that death sentence by court-martial of Lt. Caudra, approved by Somoza, is awaiting final* decision by President Sacasa.	850
Apr. 25 (29)	<i>From the Minister in Nicaragua (tel.)</i> Advice of use of good offices culminating in Somoza's promise to postpone execution of Cuadra until he consults Sacasa, who considers execution unconstitutional.	851
Apr. 26 (31)	<i>From the Minister in Nicaragua (tel.)</i> Information from Somoza that officers of the Guardia are in accord with his decision not to carry out death sentence without President's authorization.	853
Apr. 30 (34)	<i>From the Minister in Nicaragua (tel.)</i> Newspaper publication of President Sacasa's disapproval of the court-martial verdict, and of his manifesto stating his obligation to adhere to the Constitution.	854
May 13 (256)	<i>To the Minister in Nicaragua</i> Commendation for discreet and effective handling of recent Nicaraguan emergency.	854
May 14 (829)	<i>From the Minister in Nicaragua</i> Summary of views concerning the Nicaraguan political situation as expressed by officials of Costa Rica, El Salvador, Guatemala, Mexico, and Nicaragua; outline of attitude assumed and replies made.	855
May 31 (266)	<i>To the Minister in Nicaragua</i> Department's complete accord with Minister's attitude reported in despatch No. 829 of May 14.	862
June 18 (892)	<i>From the Minister in Nicaragua</i> Political currents relative to the Presidency; Minister's insistence, in conversation with the Foreign Minister, that the U. S. Government cannot commit itself in advance to granting or denying of recognition.	862
July 16 (933)	<i>From the Minister in Nicaragua</i> Somoza's determination to become President despite probability of violence in such event.	864
Aug. 13 (979A)	<i>From the Minister in Nicaragua</i> Request for permission to deny press report that a representative of Sacasa had an interview with a Department official in Washington to sound out U. S. attitude toward an extension of Sacasa's term; advice of Sacasa's denial.	866
Aug. 26 (39)	<i>To the Minister in Nicaragua (tel.)</i> Denial that interview took place; explanation, however, of reasons why a public denial should be avoided; willingness to consider authorizing a reiteration of U. S. nonintervention policy.	868
Aug. 29 (1021)	<i>From the Minister in Nicaragua</i> Reasons for not seeking authorization to issue a reiteration of U. S. position; transmittal of a draft letter, addressed to President Sacasa, for Department's approval.	868

NICARAGUA

POLITICAL UNREST IN NICARAGUA; POLICY OF THE UNITED STATES NOT TO INTERFERE IN NICARAGUAN INTERNAL AFFAIRS—Continued

Date and number	Subject	Page
1935		
Sept. 10 (68)	<i>From the Minister in Nicaragua (tel.)</i> Apprehension in Government circles concerning banquet to be held for Somoza and plans of his supporters to call on Sacasa and request his support.	871
Sept. 12 (329)	<i>To the Minister in Nicaragua</i> Approval of draft letter for President Sacasa transmitted in despatch No. 1021 of August 29.	871
Sept. 26 (80)	<i>From the Minister in Nicaragua (tel.)</i> Information concerning crisis precipitated by agitation for Somoza's candidacy, and of President Sacasa's refusal to support Somoza.	871
Sept. 26 (83)	<i>From the Minister in Nicaragua (tel.)</i> Information of plans of high Government officials to force Sacasa to request Somoza's resignation from the Guardia, and to meet situation in case Somoza makes a fight; Minister's refusal to cooperate in plans.	872
Sept. 27 (52)	<i>To the Minister in Nicaragua (tel.)</i> Instructions to express U. S. hope for continuing peace in Nicaragua to persons concerned in situation described.	874
Sept. 28 (88)	<i>From the Minister in Nicaragua (tel.)</i> Conversation with one of the supporters of the plans to force Sacasa-Somoza issue, who showed disregard for U. S. position as set forth in No. 52 of September 27.	874
Sept. 28 (89)	<i>From the Minister in Nicaragua (tel.)</i> Somoza's views on the plotting against him, and his intention to remain in seclusion.	875
Sept. 29 (90)	<i>From the Minister in Nicaragua (tel.)</i> President Sacasa's concurrence in U. S. expression of hope for continuing peace in Nicaragua.	876
Oct. 1	<i>Memorandum by the Assistant Chief of the Division of Latin American Affairs</i> Conversation with Nicaraguan representatives, who vainly sought "advice" with reference to situation in Nicaragua.	877
Oct. 1 (92)	<i>From the Minister in Nicaragua (tel.)</i> Advice that Somoza is circulating freely in Managua despite earlier expressed intention to remain in seclusion.	879
Oct. 3 (95)	<i>From the Minister in Nicaragua (tel.)</i> Information regarding President Sacasa's orders to Somoza to transfer certain Guardia commanders in order to avert trouble in connection with municipal elections November 3.	879
Oct. 4 (96)	<i>From the Minister in Nicaragua (tel.)</i> Somoza's accession, after protest, to President Sacasa's orders; information from Foreign Minister in regard to a <i>coup d'état</i> expected within the next week.	880
Oct. 5 (97)	<i>From the Minister in Nicaragua (tel.)</i> Appeal to Foreign Minister to prevent violence.	880

NICARAGUA

POLITICAL UNREST IN NICARAGUA; POLICY OF THE UNITED STATES NOT TO INTERFERE IN NICARAGUAN INTERNAL AFFAIRS—Continued

Date and number	Subject	Page
1935		
Oct. 7 (98)	<i>From the Minister in Nicaragua (tel.)</i> Information concerning arrest of Vargas, publisher of anti-Somozan <i>El Imparcial</i> , President Sacasa's orders for his release, and intention to expel the Guardia commander responsible for the arrest.	881
Oct. 7 (99)	<i>From the Minister in Nicaragua (tel.)</i> President Sacasa's insistence upon U. S. obligation to intervene in present situation; request for authorization to show him Department's memorandums of conversations with Nicaraguan representatives, and to say that they reflect U. S. attitude.	882
Oct. 8 (59)	<i>To the Minister in Nicaragua (tel.)</i> Authorization as requested in telegram No. 99 of October 7.	882
Oct. 9 (102)	<i>From the Minister in Nicaragua (tel.)</i> President Sacasa's refusal to admit end of U. S. responsibility; his certainty that Somoza is preparing a <i>coup d'état</i> . Release of General Vargas.	883
Oct. 16	<i>Memorandum by the Chief of the Division of Latin American Affairs</i> Conversation with Nicaraguan representatives, who urged "friendly moral assistance" and were assured of the friendly interest of the United States.	883
Nov. 5 (116)	<i>From the Chargé in Nicaragua (tel.)</i> Information that the municipal elections of November 3 passed off quietly.	886
Dec. 6 (123)	<i>From the Chargé in Nicaragua (tel.)</i> Mediation by former President Chamorro between the Sacasas and Somoza, resulting in a plan to call a <i>constituyente</i> to extend President Sacasa's term for 2 years and to remove impediments to Somoza's election after that period.	886
Dec. 10 (1187)	<i>From the Chargé in Nicaragua</i> Advice that there seems to be a fair chance of continued peaceful development if the Chamorro plan is carried out.	887
Dec. 15 (126)	<i>From the Minister in Nicaragua (tel.)</i> President Sacasa's refusal to remain in office after present constitutional term.	888

PANAMA

NEGOTIATIONS BETWEEN THE UNITED STATES AND PANAMA FOR THE REVISION OF THE TREATY OF NOVEMBER 18, 1903

1935		
Jan. 8	<i>To the Chargé in Panama</i> Transmittal of draft of proposed general treaty with Panama, with notations indicating status of the discussions in regard to various provisions.	889
Jan. 14 (5)	<i>From the Chargé in Panama (tel.)</i> President Arias' announcement that there would be no treaty without satisfactory adjustment of differences; his reference to difficulties encountered with the <i>patrioteros</i> .	890

PANAMA

NEGOTIATIONS BETWEEN THE UNITED STATES AND PANAMA FOR THE REVISION
OF THE TREATY OF NOVEMBER 18, 1903—Continued

Date and number	Subject	Page
1935		
Jan. 23 (6)	<i>From the Chargé in Panama (tel.)</i> Foreign Secretary Arosemena's indication of generally favorable attitude toward provisions of the proposed treaty draft.	890
Jan. 23 (585)	<i>From the Chargé in Panama</i> Memorandum of informal discussion with Arosemena (text printed) concerning draft of proposed treaty.	891
Feb. 11 (613)	<i>From the Chargé in Panama</i> Objection of President Arias to provision of the treaty pertaining to the further U. S. acquisition of private Panamanian property, and to the implication of unlimited cooperation with the United States in the event of war.	894
Feb. 12 (14)	<i>From the Chargé in Panama (tel.)</i> Suggestion of modifications of the treaty text to meet objections of Arias and thereby facilitate ratification by the Panamanian Assembly.	897
Feb. 20 (626)	<i>From the Chargé in Panama</i> Conversation with Foreign Minister Arosemena relative to draft provisions he desires changed.	898
Apr. 23 (48)	<i>From the Minister in Panama (tel.)</i> Arosemena's request for cooperation in obtaining satisfactory settlement of disputed projects which are to be submitted to President Roosevelt by the Panamanian Minister.	900
May 11 (59)	<i>From the Minister in Panama (tel.)</i> President Arias' announcement at press conference of intention not to sign the proposed treaty unless agreement is reached on fundamental points, which he did not specify.	900
May 28 (65)	<i>From the Minister in Panama (tel.)</i> Advice from Arosemena of acceptance of practically everything in treaty except question of deportees.	901
July 17 (89)	<i>From the Minister in Panama (tel.)</i> Delay in further treaty considerations because of Cabinet crisis.	901
July 19 (92)	<i>From the Minister in Panama (tel.)</i> Conversation with President Arias, who confirmed reason for delay, and also raised objections to certain provisions in the treaty draft.	901
Aug. 16	<i>Press Release Issued by the Department of State</i> Announcement of conclusion of the U. S.-Panama treaty negotiations. (Footnotes: Information pertaining to signature and exchange of ratifications of the treaty, and to conventions on radio and on the trans-Isthmian highway; citations to texts.)	902
Aug. 29	<i>Memorandum by the Secretary of State</i> Panamanian Minister's insistence upon treaty revision in regard to reentry of certain persons into the Canal Zone, and upon insertion of a suitable formula to insure for Panamanians employed in the Canal Zone equality of pay and general treatment.	902

PANAMA

NEGOTIATIONS BETWEEN THE UNITED STATES AND PANAMA FOR THE REVISION
OF THE TREATY OF NOVEMBER 18, 1903—Continued

Date and number	Subject	Page
1935		
Oct. 1 (136)	<i>From the Minister in Panama (tel.)</i> Request for instructions in regard to Arosemena's suggestion of a conference with Panamanian Commissioners and Canal representatives relative to article 4 of treaty.	903
Oct. 3 (59)	<i>To the Minister in Panama (tel.)</i> Department's position relative to Zone reentry by deportees; instructions to hold the suggested conference.	903
Oct. 5 (139)	<i>From the Minister in Panama (tel.)</i> Cancellation of discussion plans because of Panamanian Commissioners' early departure for the United States.	904
Oct. 25 (65)	<i>To the Chargé in Panama (tel.)</i> Instructions for discussions, under administrative provisions in the General Treaty, of itemized questions relating to sales of goods to vessels, and to employees of the Canal and the railroad.	904
Nov. 9 (73)	<i>To the Chargé in Panama (tel.)</i> Request for report of any discussions concerning sales to ships.	905
Nov. 11 (159)	<i>From the Chargé in Panama (tel.)</i> Advice that no discussions have yet been held.	905
Dec. 14 (169)	<i>From the Chargé in Panama (tel.)</i> Advice that first meeting is scheduled for December 16; request for confirmation of view in regard to surcharge.	906
Dec. 16 (170)	<i>From the Chargé in Panama (tel.)</i> Report on amicable discussion of items under consideration.	906
Dec. 17 (83)	<i>To the Chargé in Panama (tel.)</i> Interpretation of surcharge as the basis of retail commissary prices to employees.	907
Dec. 18 (84)	<i>To the Chargé in Panama (tel.)</i> Department's position in regard to direct trucking to Canal Zone piers.	908
Dec. 19 (173)	<i>From the Chargé in Panama (tel.)</i> Report on second meeting with Panamanian authorities.	908
Dec. 23 (177)	<i>From the Chargé in Panama (tel.)</i> Third meeting with Panamanian authorities.	909
Dec. 28 (181)	<i>From the Chargé in Panama (tel.)</i> Possibility of future agreement by adoption of a restricted surcharge on perishable foodstuffs.	910
Dec. 31 (88)	<i>To the Chargé in Panama (tel.)</i> Instructions to avoid modifications in General Treaty and to continue efforts toward a satisfactory agreement through administrative measures.	910

PANAMA

OBJECTIONS BY PANAMA TO RECEIVING PAYMENT OF PANAMA CANAL ANNUITY
IN DEVALUED DOLLARS

Date and number	Subject	Page
1935		
Jan. 14	<i>From the Panamanian Legation</i> Panamanian interpretation of the annuity payment stipulation in the treaty of 1903, qualified by the monetary agreement of June 20, 1904, as providing for payment in balboas, and not in devalued dollars.	911
Jan. 16	<i>From the Panamanian Legation</i> Reference to U. S. appropriation measure favoring the Philippine Islands as further reason for a similar act of amity in adopting a measure for the immediate payment in full of the Canal annuity.	912
Jan. 21	<i>To the Panamanian Minister</i> Advice that consideration of interchangeability of former Panamanian "dollar" with balboa under Appropriation Act of 1934 could not be justified; suggestion that Panama accept the February 26, 1934, payment "on account", with reservation of all rights in the matter.	913
Jan. 22	<i>From the Panamanian Minister</i> Nonconcurrence in suggestion of accepting payment "on account", and repetition of earlier request for adoption of some measure allocating the total annuity stipulated in the Canal Treaty.	914
Jan. 24	<i>To the Panamanian Minister</i> Acknowledgment of letter of January 22, with assurances of continuing U. S. effort to effect satisfactory solution.	915
Feb. 2	<i>Memorandum by the Chief of the Division of Latin American Affairs</i> Discussion with the Panamanian Minister on possibility of specific legislation authorizing the annuity payment without waiting for a provision to be included in the treaty under negotiation.	916
Feb. 21	<i>From the Panamanian Minister</i> Representation setting forth unaltered Panamanian position, with citations to recent U. S. Supreme Court opinions.	916
Feb. 25	<i>Memorandum by the Chief of the Division of Latin American Affairs</i> Discussion with Panamanian Minister regarding the U. S. obligation to transmit the February 26 annuity payment authorized in the current appropriation act, despite the Panamanian refusal to accept it.	920
Undated [Rec'd Feb. 25]	<i>From the Acting Secretary of the Treasury</i> Opinion that recent Supreme Court decisions have no bearing upon the annuity authorized by Congress to be paid on February 26, 1935.	921
Feb. 27	<i>From Sullivan & Cromwell</i> Return of U. S. annuity check in view of Panamanian contention that sum should be paid in gold coin of the standard existing in 1904.	921
Mar. 2	<i>From the Attorney General</i> Suggestion that the controversial annuity matter be settled promptly by means of the general treaty now being negotiated between the United States and Panama.	922

PANAMA

OBJECTIONS BY PANAMA TO RECEIVING PAYMENT OF PANAMA CANAL ANNUITY
IN DEVALUED DOLLARS—Continued

Date and number	Subject	Page
1935 Apr. 15	<i>From the Panamanian Legation</i> Suggestion of a plan for settling the annuity difficulties, with indication of specific advantages to both the United States and Panama.	923
Apr. 29 (20)	<i>To the Minister in Panama (tel.)</i> President Roosevelt's indication to the Panamanian Minister of the impracticality of annuity legislation, and his view that the only practicable solution lies in a treaty provision.	925
May 1 (58)	<i>From the Minister in Panama (tel.)</i> Transmittal of a memorandum from President Arias, dated April 30 (text printed), presenting alternative plans for payment of the Canal annuities.	925
May 4	<i>To the Panamanian Minister</i> Comments on a proposed exchange of notes on coinage, and on a redraft of article VIII of the general treaty, which concerns the annuity matter.	927
May 6 (21)	<i>To the Minister in Panama (tel.)</i> Résumé of negotiations relative to the annuity payment, and reasons for U. S. inability to accept any of the alternative plans set forth by President Arias.	928
May 22	<i>To the Assistant Solicitor General</i> Request for views on the draft exchange of notes and the suggested modifications in draft of article VIII accepted by the Panamanian Commissioners. (Footnote: Incorporation of settlement of annuity question in the General Treaty; citation to text.)	930

PERU

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

1935 Aug. 9 (800)	<i>To the Ambassador in Peru</i> Transmittal of material on U. S. commercial policy to be used as basis of informal conversations with the Foreign Minister in the expectation of possible negotiation of a trade agreement.	932
Sept. 29 (4176)	<i>From the Ambassador in Peru</i> Exploratory conversation in accordance with instructions; Foreign Minister's reference to Cuba's favored position in the U. S. sugar market.	933
Oct. 2 (4183)	<i>From the Ambassador in Peru</i> Disinclination of Peruvian Government to consider trade agreement negotiations without preferential attention to the sugar situation; comments on sugar and debt situations.	935
Oct. 2 (4184)	<i>From the Ambassador in Peru</i> Further discussion of Peruvian trade matters with the Foreign Minister, who indicated readiness to negotiate an agreement that would assure a market of 300,000 tons for Peruvian sugar.	937

PERU

PRELIMINARY DISCUSSIONS RESPECTING A TRADE AGREEMENT BETWEEN THE UNITED STATES AND PERU—Continued

Date and number	Subject	Page
1935 Nov. 21 (838)	<i>To the Ambassador in Peru</i> Instructions to inform the Peruvian Government of U. S. inability, because of existing legislation, to give desired assurance in regard to sugar; hope that exploratory conversations may continue.	942
Dec. 20 (4326)	<i>From the Ambassador in Peru</i> Compliance with Department's instructions.	944

URUGUAY

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

1935 Jan. 10 (922)	<i>From the Chargé in Uruguay</i> Uruguayan interest in negotiating a trade agreement; information as to basis of commercial agreements which have been negotiated between Uruguay and other countries.	946
Feb. 21 (983)	<i>From the Chargé in Uruguay</i> Foreign Minister's desire for prompt negotiation of a trade agreement because of general economic conditions and pressure from cattle interests.	947

REPRESENTATIONS RESPECTING CUSTOMS DISCRIMINATIONS AGAINST AMERICAN IMPORTATIONS INTO URUGUAY

1935 May 10 (1104)	<i>From the Chargé in Uruguay</i> Information in regard to a Uruguayan decree authorizing increased customs rates.	949
June 13 (5)	<i>To the Chargé in Uruguay</i> Instructions to investigate report of preferential customs treatment accorded Russian lumber imports over American imports, and, if substantiated, to request removal of the discrimination.	950
June 28 (34)	<i>From the Minister in Uruguay</i> Information concerning discrimination against American lumber imports, with request to be permitted to submit a protest on general rather than specific grounds.	951
July 22 (11)	<i>To the Minister in Uruguay</i> Department's approval of suggestion to protest on general rather than specific grounds.	954
Aug. 13 (17)	<i>To the Minister in Uruguay</i> Instructions to investigate a rumor of a 30% increase in duties on U. S. articles, whereas other countries were raised only 15%, and, if true, to ask removal of discrimination.	954
Aug. 23 (65)	<i>From the Minister in Uruguay</i> Note submitted to the Foreign Minister citing instances of customs discriminations against American products and requesting that steps be taken to assure equitable customs treatment.	955

URUGUAY

REPRESENTATIONS RESPECTING CUSTOMS DISCRIMINATIONS AGAINST AMERICAN IMPORTATIONS INTO URUGUAY—Continued

Date and number	Subject	Page
1935 Aug. 23 (66)	<i>From the Minister in Uruguay</i> Reply to No. 17 of August 13, clarifying confusion between exchange restrictions and customs discrimination.	955
Nov. 15 (33)	<i>To the Minister in Uruguay (tel.)</i> Request for cabled report on possibility of discrimination against American railway equipment in favor of that of German manufacture; instructions to discuss the matter informally with Uruguayan authorities should discrimination be indicated.	956
Nov. 16 (63)	<i>From the Minister in Uruguay (tel.)</i> Report on situation relative to American railway equipment.	956
Dec. 27 (140)	<i>From the Minister in Uruguay</i> Note from the Foreign Office indicating that discriminatory customs treatment of American lumber and a number of other commodities is to be removed.	957

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

1935 Jan. 2 (903)	<i>From the Chargé in Uruguay</i> Discussion relative to exchange discrimination with the Foreign Minister, who gave assurances of correction of the situation; discussion also of U. S.-Uruguayan trade.	957
Jan. 2 (904)	<i>From the Chargé in Uruguay</i> Foreign Minister's suggestion of a banking agreement between the Bank of the Republic and a representative American bank, similar to those in force with banks of other countries.	959
Jan. 21 (309)	<i>To the Chargé in Uruguay</i> Instructions to discuss informally with Uruguayan officials allegations of discrimination against American petroleum products in favor of a state-owned company.	961
Feb. 14 (2)	<i>To the Chargé in Uruguay (tel.)</i> Request for report as to whether oil companies have a possibility of redress through legal action, for alleged discrimination.	961
Feb. 15 (15)	<i>From the Chargé in Uruguay (tel.)</i> Belief of lawyers of oil companies that legal case exists; information, however, of a call for a conference of representatives of foreign oil companies, the state-owned company, and the Exchange Control Commission in effort to adjust difficulty.	961
Feb. 26 (988)	<i>From the Chargé in Uruguay</i> Attendance as an observer at the conference in which the entire Uruguayan trade and foreign exchange situation came under scrutiny; opinion that despite difficulties a happy solution may result from further discussions, which are planned.	962
Mar. 2 (998)	<i>From the Chargé in Uruguay</i> Value of close cooperation of foreign oil companies in effort to secure exchange treatment equal to that given the state-owned company, as indicated in the prompt action resulting from simultaneous U. S. and British representations.	966

URUGUAY

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

Date and number	Subject	Page
1935 May 23 (647)	<i>From the Consul General at Montevideo</i> Résumé of conversations with bank officials in regard to the position of American commerce under the Uruguayan import quota law, particularly as applied to lumber.	967
July 19 (47)	<i>From the Minister in Uruguay</i> Indication to President Terra that trade agreement prospects would be increased if more equitable exchange quotas could be given immediately to importers of American goods.	969
Sept. 24 (697)	<i>From the Consul General at Montevideo</i> Information regarding the option for U. S. exporters to transfer funds through the free market or to accept Government bonds in satisfaction of deferred exchange.	970
Dec. 6 (721)	<i>From the Consul General at Montevideo</i> Uruguayan consideration of desirability of an increased quota for American goods, in view of recent increases in Uruguayan exports to the United States.	971

PRELIMINARIES TO THE INTER-AMERICAN CONFERENCE FOR THE MAINTENANCE OF PEACE TO BE HELD AT BUENOS AIRES IN 1936

710.Peace/1

The Ambassador in Mexico (Daniels) to the Secretary of State

No. 2764

MEXICO, July 25, 1935.
[Received August 1.]

SIR: I have the honor to report that the Acting Minister for Foreign Affairs, in conversation at the Foreign Office this morning, said it had been reported to him by the Mexican Ambassador at Washington that President Roosevelt had requested the latter to approach President Cárdenas regarding the possibility of an Inter-American Peace Conference. The plan, according to Ambassador Nájera, was to afford an opportunity to revise certain of the inter-American treaties and to suggest others that would improve the peace machinery of the American continent but, in no manner, did the plan contemplate the question of the Chaco.¹

President Cárdenas had authorized Señor Cenicerós to reply that he was most happy to coöperate in the matter. According to the latest information received by him from Washington, however, the Acting Minister said that a formal letter from President Roosevelt to President Cárdenas was not expected until there had been time to sound out some of the other interested countries as well.

Respectfully yours,

JOSEPHUS DANIELS

710.Peace/2

The Secretary of State to the Ambassador in Mexico (Daniels)

No. 820

WASHINGTON, August 5, 1935

SIR: The Department has received your despatch No. 2764 of July 25, 1935, entitled "Possible Inter-American Peace Conference".

In general, the information conveyed to you on this subject by the Acting Secretary of Foreign Relations is accurate. The matter is

¹ For correspondence concerning the Chaco dispute between Bolivia and Paraguay, see pp. 7 ff.

however, still in the formative stage of development and it is, of course, highly desirable that the President's intentions should not receive any premature publicity. Pending further instructions from the Department, you are requested to make no comment whatever regarding this subject and to treat it as completely and entirely confidential.

Very truly yours,

For the Secretary of State:
SUMNER WELLES

710.Peace/3 : Telegram

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

LIMA, August 8, 1935—4 p. m.

[Received 9 p. m.]

95. Strictly confidential for the President, the Secretary and Mr. Welles.²

"Inter-American Peace Conference."

Foreign Minister informs me President Benavides and his Government accept the suggestions made by Welles to Freyre³ and wish to cooperate in every way possible. This is upon the [basis] that this Conference is to be held at Lima in lieu of Eighth Pan American Conference for which no date yet fixed.

The Foreign Minister understands our Government is sounding out other American Governments on the basis of calling the Conference as soon as present Chaco Peace Conference at Buenos Aires has closed.

Foreign Minister states Argentina is extremely sensitive about the general question of peace and her prestige and may interpret the present sounding as an indication we expect the Buenos Aires Conference will fail and thus create an atmosphere inauspicious for the later General Conference at Lima now contemplated.

I get the impression that Peru, which is also sensitive about its prestige, is particularly anxious not to be overshadowed by Argentina and is anxious to make sure the Conference will be held here and also that Peru will not have to play any negative role. It will be recalled that Saavedra Lamas⁴ is an extremely ambitious candidate for the Nobel Peace Prize.

Further report by air.

DEARING

² Sumner Welles, Assistant Secretary of State.

³ Don Manuel de Freyre y Santander, Peruvian Ambassador.

⁴ Carlos Saavedra Lamas, Argentine Minister for Foreign Affairs.

110.Peace/6

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

No. 4090

LIMA, August 10, 1935.

[Received August 22.]

SIR: I have the honor to refer to my strictly confidential message No. 95 of August 8, 4 p. m., concerning our President's proposals for an Inter-American Peace Conference and the initiation given the matter with the Peruvian Ambassador in Washington by the Assistant Secretary of State, Mr. Welles, and to report that when I was at the Foreign Office on August 7, the Foreign Minister said he wished to speak to me about an extremely confidential matter which had been brought to his attention by the Peruvian Ambassador in Washington. He then showed me a telegram in which Ambassador Freyre referred to conversations he had had with Mr. Welles and stated that President Roosevelt was extremely interested in having a general Inter-American peace conference called for the nations of America as soon as the Chaco Conference now under way in Buenos Aires should come to an end. Ambassador Freyre understood that the peace conference proposed to be called the "Inter-American Peace Conference" would take the place of the next or Eighth Pan American Conference which, as provided by resolutions at the last Pan American Conference, is to be held in Lima at some date to be fixed by the Peruvian Government.

Ambassador Freyre reported that the idea was that the legislation of all American countries regarding peace was to be brought into some sort of general harmony and that if possible a multilateral treaty to which all American nations could subscribe would be attempted. The Ambassador wanted to know whether these suggestions were agreeable to the Peruvian Government.

Dr. Concha⁵ told me that he had consulted President Benavides, who had no objection whatever to changing the Eighth Pan American Conference with an agenda such as had been suggested to Ambassador Freyre by Mr. Welles. He stated definitely that Peru wished to cooperate in this endeavor in every possible way. He then added that he understood that our Government was sounding out the other Latin-American governments, presumably through their representatives in Washington, and said he thought that this action coming at this time would create the impression at Buenos Aires that our

⁵ Carlos Concha. Peruvian Minister for Foreign Affairs.

Government expects the Chaco Conference to fail. He thought consequently that Argentina would not be particularly receptive to the suggestion coming from our Government and might indeed feel embarrassed by it. It was quite apparent from the Minister's way of speaking and his expression that he feels Argentina is not only sensitive but inclined to be somewhat overreaching and extremely jealous of her prestige as a leader in the broad campaign for peace. He knows of Saavedra Lamas' personal characteristics and his intense ambition to get the Nobel peace prize, and just as in the case of Chile and Brazil and perhaps other Latin-American countries, he has no particular desire to play second fiddle either to Argentina or to Saavedra Lamas. It seems to me quite clear that President Benavides and Dr. Concha, both of whom are conscious of Peru's own dignity and importance in the Latin-American scheme of things, are extremely anxious not to play a negative role in the whole matter, and that it shall be certainly not an inferior one in any way but rather one in which Peru, as the seat of the conference, shall have a certain preeminence and relief, and, as a joint caller of the conference with ourselves, have the amount of leadership such action would make justifiable.

The Minister's stress while we were talking was upon the danger of creating an unfavorable atmosphere at Buenos Aires which might make the realization of the general peace conference difficult, but I feel so sure that he is reflecting President Benavides' sensitiveness as well as his own desire to affirm Peru's rights and importance in the matter, that I have the warrant to say that it is suspicion Argentina may wish to dominate the scene which is the chief matter in his mind. Such a dominance, even in a mild form, would leave Peru unsatisfied and somewhat disinclined to cooperate.

Respectfully yours,

FRED MORRIS DEARING

710.Peace/4 : Telegram

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

WASHINGTON, August 12, 1935—noon.

66. Your 95, August 8, 4 p. m. In the reply made by the Peruvian Government to the confidential inquiry addressed to the President of Peru through the Peruvian Ambassador in Washington no reference of any kind was made as to the seat of a possible inter-American peace conference. Reference was made to the fact that the Eighth Inter-American Conference was to be held in Lima and the view of President Benavides was stated to be that while the holding of this extraordinary conference might detract from the importance of the Eighth Inter-American Conference, nevertheless, the Government of

Peru would be glad to support any initiative taken by the President of the United States in recognition of the desirability of the objective sought.

While the confidential reaction to the President's informal sounding of the opinion of some of the American republics has been uniformly favorable, nevertheless, the Argentine Government has urged delay in proceeding with the initiative until an opportunity has been afforded to ascertain whether the Chaco Conference at Buenos Aires would prove to be successful or not. Inasmuch as the President's plan of an extraordinary inter-American conference to consider the best and most practical methods of perfecting peace machinery on this continent is predicated upon the successful termination of the Chaco Conference at Buenos Aires, the President has determined to defer taking any initiative in the matter for a short time. The prospects of a successful termination of the Chaco Conference and the decision as to the most opportune moment for the President to take the initiative in this matter will be re-examined in the course of the next few weeks.

For the time being it is, of course, imperative, as you will understand, that no publicity of any character be given to this matter. For that reason the Department desires you to refrain from discussing any aspects of the question with the Peruvian Government and should any inquiry be made of you, you may merely say that you are without instructions in the matter.

HULL

811.001 Roosevelt Visit/139

The Ambassador in Mexico (Daniels) to the Secretary of State

No. 2934

MEXICO, October 3, 1935.

[Received October 9.]

SIR: I have the honor to report that at the regular diplomatic reception this morning the Acting Minister for Foreign Affairs remarked on the fine impression made by President Roosevelt's speech at San Diego.⁶ He regarded the President's insistence on strict neutrality in the present European crisis as the keynote of the policy of all Latin America—certainly the Mexican and American viewpoints were identical in that under no circumstances should this Continent become involved.

While expressing apprehension over the European situation, Mr. Ceniceros stated that he considered that the Americas had a problem of major importance of their own in the Chaco, and that all their

⁶ Delivered at the Stadium at San Diego, Calif., Wednesday afternoon, October 2, 1935; Department of State, *Press Releases*, October 12, 1935, p. 261.

attention should be devoted to settling that before going further afield. Referring to Mexico's consistent interest in a settlement, he recalled that Mexico had been suggested as a mediator in the Chaco dispute but the proposal had not been well received on all sides and accordingly Mexico had preferred not to participate directly.

Mr. Cenicerros went on to say that the inability to reach a settlement of the Chaco dispute would inevitably react unfavorably on the other fine proposal of President Roosevelt for an Inter-American Peace Conference, with which Mexico was heartily in sympathy. He said he understood that the Argentine was lukewarm to the suggestion and that because of this and the disturbed outlook for the Chaco President Roosevelt had deferred issuing formal invitations to the Peace Conference.

As I knew nothing about these developments, I was unable to supply any information. However, in answer to my question why the Argentine had adopted a reluctant attitude, Mr. Cenicerros said that Doctor Saavedra Lamas would never become enthusiastic over someone else's idea.

It is my impression from the conversation that Mr. Cenicerros has in mind the desirability of taking advantage of the anti-war feeling on this Continent to push at this time the idea of an Inter-American Peace Conference, but feels that we must first put our own house in order as regards the Chaco.

Respectfully yours,

JOSEPHUS DANIELS

[See also the following telegrams (printed in the section entitled "The Chaco Dispute Between Bolivia and Paraguay: Chaco Peace Conference") : From the Ambassador in Argentina : No. 164, August 3, midnight, page 111 (paragraph 11, page 113) ; No. 244, October 12, 4 p. m., page 160 ; No. 247, October 18, 6 p. m., page 165 ; and to the Ambassador in Argentina : No. 144, October 17, 4 p. m., page 163 ; No. 158, November 11, 6 p. m., page 178.]

CHACO DISPUTE BETWEEN BOLIVIA AND PARAGUAY ¹

THE ARGENTINE-CHILEAN MISSION

724.3415/4555 : Telegram

The Chargé in Chile (Scotten) to the Secretary of State

SANTIAGO, February 19, 1935—noon.

[Received 1:30 p. m.]

22. I have just learned from the Foreign Office that Félix Nieto, the political adviser, arrived yesterday in La Paz on the following confidential mission; in view of the imminence of the meeting of the League Committee in Geneva on February 24th which will put into effect the sanctions against Paraguay determined upon in the meeting of November 24th, Chile and Argentina recently had an exchange of views. As a result it was decided that Argentina would send a special agent to Asunción and at the same time Chile would send a similar agent to La Paz. These agents would endeavor to reconcile the views of Paraguay and Bolivia to the end that the sanctions contemplated against Paraguay might be avoided. Because of the generally unfavorable situation of Bolivia, the Foreign Office believes Nieto may have some chance of success. The Chilean Government strongly hopes that some way may be found to prevent sanctions being applied against Paraguay, stating it is in full accord with the American point of view as understood here.

SCOTTEN

724.3415/4577

Memorandum by the Assistant Chief of the Division of Latin American Affairs (McGurk)

[WASHINGTON,] February 20, 1935.

Conversation: The Brazilian Ambassador ²

Mr. Phillips ³

Mr. McGurk

The Brazilian Ambassador stated that he had been instructed by his Government to inform us of the receipt of a request from the

¹ Continued from *Foreign Relations*, 1934, vol. iv, pp. 32-299.

² Oswaldo Aranha.

³ William Phillips, Under Secretary of State.

Chilean Government to support the efforts of the recent secret mission agreed upon and sent out by Argentina and Chile to Asunción and La Paz to endeavor to effect a reconciliation of the views of Paraguay and Bolivia, so that the sanctions of the League which will become effective on or after the 24th of this month would be averted. The Ambassador stated, reading from a telegram received apparently from his Government, that Paraguay had replied giving certain conditions, among which were an immediate armistice and the withdrawal of troops to certain definite lines, the settlement of the fundamental question on a basis of limits and not as a territorial question, and the appointment of a commission to fix responsibility for the war. The Ambassador stated that undoubtedly the request from Chile had been prompted by Saavedra Lamas,⁴ who now found himself in a very tight position inasmuch as he was a member of the League and at the same time involved with Paraguay, and would use every endeavor to avert the sanctions being imposed so that his Government would not take part in the sanctions. The Ambassador went on to say that heretofore our attitude had been practically similar to that of Brazil with respect to participation in the League's action and that until such time as the League had definitely stepped out of the picture and the matter again placed in the hands of the American states including the U. S., his Government did not feel that it could take any further part, and that his Government had so replied to the Chilean Government. The Ambassador added that he would be pleased to know what our attitude would be, or should we care to do so to make known our attitude to the Brazilian Government through our Embassy in Rio.

J. F. MCGURK

724.3415/4578

*Memorandum by the Chief of the Division of Latin American
Affairs (Wilson)*

[WASHINGTON,] February 21, 1935.

Mr. Freitas-Valle, the Minister-Counselor of the Brazilian Embassy, called in order to furnish further details of recent developments regarding the Chaco matter, concerning which the Brazilian Ambassador had spoken yesterday to Mr. Phillips.

Mr. Valle said that his Government had been informed by its representatives in Buenos Aires and Santiago that recently the Argentine Government had sent Señor Podestá Costa to Asunción, and the Chilean Government had sent Mr. Félix Nieto to La Paz, in an effort to see if the two belligerents could in some way be brought together

⁴ Carlos Saavedra Lamas, Argentine Minister for Foreign Affairs.

upon an agreement for the settlement of the dispute which would thus remove any possibility of the imposition of sanctions upon Paraguay by the League of Nations. Mr. Valle said that his Government's information was that there had first been an exchange of communications between Presidents Justo⁵ and Alessandri⁶ and that following this exchange it had apparently been decided to send the two emissaries mentioned. He said that Dr. Cruchaga, the Chilean Foreign Minister, had asked the Brazilian Ambassador at Santiago for the support of the Brazilian Government at La Paz, evidently in the hope that the Bolivian Government might be prevailed upon to request the League of Nations to postpone any action looking to the imposition of sanctions in order to afford an opportunity to see if it were possible to bring the two countries into direct negotiation. Prior, however, to receiving this request from Dr. Cruchaga the Brazilian Government had received word (this was the impression of Mr. Valle) that Podestá Costa's mission to Asunción had failed, inasmuch as the Paraguayan Government had indicated certain conditions upon which it would be prepared to negotiate directly with Bolivia, these conditions being those already frequently expressed by Paraguay, e. g. immediate cessation of hostilities, settlement of the basic question as a frontier problem and not a territorial problem, and moreover Paraguay had indicated that she did not desire to negotiate with Bolivia with the assistance of either the League or of any of the American states, but wished to negotiate directly and alone with Bolivia.

Mr. Valle said that in view of the facts as set out above, and inasmuch as his Government had been advised of the Argentine-Chilean *démarche* only some time subsequent to an apparent agreement between those two countries as to their plans, and as his Government had not been informed of any of the details of the Argentine-Chilean plan or the bases on which they hoped to conciliate the views of the belligerents, his Government had replied to Dr. Cruchaga that under the existing circumstances and in view of the fact that the dispute was now in the hands of the League, the Brazilian Government felt that it could not take any action such as had been suggested until such time as the League had failed or withdrawn from its efforts and the matter should again be presented (as it inevitably must, said Mr. Valle) for the consideration of the American states. Mr. Valle went on to say that, as we well knew, Brazil had strongly opposed action by the League of Nations in the Chaco matter, believing that a settlement could be reached only with the assistance of the American states; also, that recalling the friction and resentment which had only recently existed between Saavedra Lamas and Cruchaga, his Govern-

⁵ Agustín P. Justo, President of Argentina.

⁶ Arturo Alessandri, President of Chile.

ment was convinced that this most recent effort was inevitably doomed to failure—as was in fact shown to be the case by the Paraguayan response.

Mr. Valle said that the Embassy had been asked to furnish us with the foregoing information and to inquire whether we had been approached with regard to the Argentine-Chilean *démarche*, and what our views might be regarding the attitude which the Brazilian Government had taken in this matter.

I told Mr. Valle that we had not been approached in any way by the Argentine or the Chilean Government in this matter and that the only information we had was contained in a telegram from the Embassy at Santiago sent on February 19, which I proceeded to read to him (the Embassy's 22, February 19, noon). As regards the statement at the end of the telegram that the Chilean Government "is in full accord with the American point of view as understood here (there)", I said that I could only assume that the reference was to the views which, as Mr. Valle knew, Mr. Welles had expressed early in January to the Brazilian Ambassador and to the Peruvian and Chilean Ambassadors, that the holding of the suggested Inter-American Peace Conference at Buenos Aires (one of the recommendations adopted by the League Assembly on November 24, last⁷) might well have practical and beneficial results, inasmuch as it would afford both belligerents an opportunity for direct negotiations under the auspices of friendly and impartial countries. I said that we still felt that if it were possible to bring Bolivia and Paraguay together in the proposed Inter-American Peace Conference at Buenos Aires, this might indeed prove extremely beneficial. I said, however, that in view of all the circumstances, as he had described them, surrounding the proposal which had recently been presented to the Brazilian Government by Dr. Cruchaga, I did not see how the Brazilian Government could have taken any other position than the one which it had adopted.

EDWIN C. WILSON

724.3415/4560 : Telegram

The Chargé in Paraguay (Thurston) to the Secretary of State

ASUNCIÓN, February 21, 1935—3 p. m.

[Received 9:15 p. m.]

12. The Minister for Foreign Affairs informed me in strict confidence this morning that a Cabinet meeting will be held tomorrow or Saturday to discuss the advisability of withdrawal from the League. President Ayala returned yesterday from a visit of several

⁷ League of Nations, *Official Journal*, Special Supplement No. 132, pp. 47-50.

days at the front and presumably holds the approval of military of any procedure that may be decided upon.

I received the impression from my conversation with the Minister for Foreign Affairs that while the Government considers that Paraguayan public opinion favors withdrawal from the League there is some hesitancy probably due to the reluctance of President Ayala to expose Paraguay to any possible charge of placing obstacles in the way of peace. He seemed to be of the opinion nevertheless that unless the League recommendations of January 16th are modified in such manner as to remove the present affront to Paraguayan national honor, withdrawal will follow. Efforts to bring about such a modification apparently continue to be made by Argentina.

The Minister expressed himself as being entirely indifferent to my [any?] action in the nature of economic sanctions that the League might propose, saying that unless Argentina and Uruguay undertook to execute them they would remain inoperative.

THURSTON

724.3415/4562 : Telegram

The Chargé in Paraguay (Thurston) to the Secretary of State

ASUNCIÓN, February 23, 1935—6 p. m.

[Received 7:45 p. m.]

14. My telegram No. 12, February 21, 3 p. m. I have just been informed by telephone by the Foreign Office that a communication has been transmitted to the League announcing Paraguay's withdrawal.

THURSTON

724.3415/4573 : Telegram

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

MONTVIDEO, February 25, 1935—4 p. m.

[Received 4:10 p. m.]

19. Minister for Foreign Affairs invited me to Foreign Office this morning to tell me that he considered that withdrawal of Paraguay from League of Nations made it possible to call promptly an inter-American conciliation conference for the settlement of the Chaco conflict, which could meet at Buenos Aires or any other capital to be determined by the American states. However, he still shows partiality to choice of Montevideo. He also said that he believed that both belligerents favored such action and were ready to agree to the calling at once of such a meeting.

As I surmised that his statements were made preliminary to the possible submitting of a proposal by Uruguay that such a conference be called without delay or the taking of action in some form not yet decided upon by him I asked him to keep me informed of any steps the Uruguayan Government might take. This he agreed to do.

DOMINIAN

724.3415/4590

Memorandum by the Chief of the Division of Latin American Affairs (Wilson)

[WASHINGTON,] February 28, 1935.

At my request Mr. Mario Rodríguez, Secretary of the Chilean Embassy, came in, Mr. Cohen, Counselor of the Embassy, still being in New York. I referred to the conversation which Mr. Rodríguez had with Mr. McGurk yesterday, in which Mr. Rodríguez, under instructions from his Government, had informed us confidentially of the Argentine-Chilean mission to Bolivia and Paraguay in an effort to conciliate the views of those Governments, thereby avoiding any action looking to the imposition of sanctions by Geneva; and had inquired whether this Government could use its good offices with States members of the League with a view to having them postpone the meeting of the Advisory Committee (now set for March 11) until such time as the success or failure of the Argentine-Chilean *démarche* had been determined.

I said to Mr. Rodríguez that, as his Government knew, the United States had agreed to participate in the conciliation conference of American States, at Buenos Aires, which had been one of the recommendations adopted by the League of Nations on November 24, last; and that, as his Government also knew, the United States has consistently favored the holding of such a conference of American States and continues to hope that it may be possible to have such conference, believing that this would prove very beneficial in the cause of peace. As regards the suggestion, however, that we request States, members of the League, to postpone any action at Geneva for the time being, I said that we had considered this matter carefully, but felt that, not being a member of the League, it really would not be possible for us to take such action. I thanked Mr. Rodríguez for having informed us of this development, mentioning that we, of course, did not know what progress may have been achieved by the Argentine-Chilean effort in La Paz and Asunción, nor the bases on which it was hoped to conciliate the views of the two Governments. Mr. Rodríguez said that he had no information in the matter other than the bare statement that Mr. Nieto, of the Chilean Foreign Office, had been sent to La Paz

and an Argentine representative had been sent to Asunción. He said that he understood our position perfectly and would so report it to his Government.

EDWIN C. WILSON

724.3415/4631 : Telegram

The Chargé in Argentina (Cox) to the Secretary of State

BUENOS AIRES, March 14, 1935—7 p. m.

[Received 9 p. m.]

15. Minister for Foreign Affairs informed me this afternoon that Argentine and Chilean Governments are making new peace approach with Paraguay and Bolivia which they plan to make known to the League. In this *démarche* he said the limitrophe countries Argentina, Brazil, Chile, and Peru, will have an important role. He stated that Argentina strongly desires participation of the United States and with that end in view Argentina will take what steps are necessary, hoping for the collaboration of the United States. Minister for Foreign Affairs said that for that reason he was communicating strictly confidentially background and details of this plan.

Saavedra Lamas then handed me a typewritten document, a translation of which is as follows:

"In February last Argentina and Chile decided to make a new exploratory effort with respect to the Chaco conflict. With this end in view the Argentine Foreign Office sent an official to Asunción for the purpose of proposing to President Ayala the acceptance in principle of the League's recommendations and of trying to arrange whereby the modifications or amendments which had been requested might possibly be made acceptable to Bolivia. A concrete formula was thereupon reached.

This first step having been accomplished, the formula reached was sent to Chile in order that the latter in turn, as was agreed upon, should make a similar effort vis-à-vis Bolivia. Thereupon the Chilean Foreign Office sent a Chilean official to La Paz.

Chile replied that it could not obtain the Bolivian reply before March 11th as had been hoped because of internal political circumstances, more especially because on March 5th the President of Bolivia went out of office.

At this moment there occurred the slight diplomatic incident between Chile and Argentina which now is public property. This latter matter having been quickly and satisfactorily settled, Chile informed Argentina immediately of the result of the efforts which it had promised to make and which now lead toward a harmonious solution.

According to the information received from the Chilean Foreign Office there has already been obtained the acceptance on the part of the Bolivian Government of the consideration of modifications of the recommendations; the Bolivian Foreign Minister suggests certain

modifications which shorten the time for the cessation of hostilities and for the formation of the commissions; with regard to security he insists that the best guarantee would be based on an agreement on the part of Bolivia with the boundary countries and another on the part of Paraguay with the same countries, by which each belligerent, once agreement has been reached between them for the cessation of hostilities, would pledge himself not to attack his adversary. Later Chile reported that the Bolivian general staff had given a favorable reply to the modifications which Chile had submitted to it, or in other words, to the conditions obtained by Argentina vis-à-vis Paraguay.

Such is the present state of negotiations which permit the hope of a satisfactory solution. The negotiations are being renewed now, the Argentine Foreign Office having communicated to Paraguay the bases upon which Bolivia accepts in principle this conciliatory solution.["]]

Cox

724.3415/4720

Memorandum by the Assistant Secretary of State (Welles)

[WASHINGTON,] March 15, 1935.

The Brazilian Ambassador called to see me this afternoon and read to me cables received by him today from his Foreign Minister.

The first message dealt with the representations made to the Government of Brazil by Bolivia that it was rumored throughout South America that Brazil was actively engaged in endeavoring to prevent the imposition of sanctions by the League upon Paraguay and, in general, that Brazil was moving to avoid any continuation of League activity on this continent. Bolivia had further stated that the United States had officially denied that this Government was participating in any such activities and requested that Brazil immediately take similar action. The Ambassador said that his Government considered this message from Bolivia highly impertinent and was not disposed to do more in reply than merely to state that facts must speak for themselves and that Brazil's position during the past four years was so well known that the Brazilian Government had no comment to make concerning the Bolivian request. The Ambassador asked if we had in fact issued any public denial in the sense indicated by Bolivia.

I told the Ambassador that this Government had issued no denial whatever but I reminded him that in a conversation I had with him some days ago I told him that the Bolivian Minister had called to see me and had stated that rumors of this character involving both the United States and Brazil were current throughout South America and that I had stated to the Bolivian Minister, in continuation of what had once before during my absence from Washington been stated to him by the Secretary of State, that this Government main-

tained an attitude of complete impartiality between the two belligerents, that its recent reply ⁸ to the League invitation whereby the United States offered to cooperate in so far as it found it feasible for it to do so in carrying out certain of the League's recommendations made it perfectly evident that this Government was not opposing or blocking the League, and finally, that inasmuch as the question of sanctions was peculiarly a League matter, the United States as a non-member state had no opinions to offer with regard thereto. I read to the Ambassador the statement which Minister Finot had cabled to the Bolivian representative in Geneva ⁹ and which had been read by the latter at the Chaco Committee meeting yesterday, and told the Ambassador that the statement was one made by the Bolivian Minister, couched in his own phraseology and based upon his conversation with me.

The Ambassador said that the position of his Government as he had already told me, was identical with that of the United States and that we were both in a position of expectation.

The second message received by the Ambassador from his Government was very much along the lines of the information contained in cable number 15, March 14, 7 p. m., from the American Chargé d'Affaires in Buenos Aires reporting his conversation with Dr. Saavedra Lamas. The Ambassador, however, had received the following statement of what the plan for modification of the League's recommendations of November 24, 1934, was in detail and stated that this plan had been accepted by Paraguay (according to the Argentine Foreign Minister) and was acceptable to Bolivia with the exception of certain requests on the part of the latter Government for an extension of certain of the periods specified therein.

The details are as follows:

I The holding of an international conference of neutrals to be composed of delegates of Argentina, Chile, Peru, and Uruguay, to which would be invited Brazil and the United States.

II Cessation of hostilities in accordance with the terms of the League recommendations.

III Direct peace negotiations.

IV The signing of an arbitral submission in the event that the two parties could not reach an agreement.

V If the conference should be unable to fix within the period of one month the terms of the submission to arbitration, it shall then establish the specific matters to be determined by arbitration.

⁸ See telegram No. 125, December 6, 1934, to the Consul at Geneva, *Foreign Relations*, 1934, vol. iv, p. 124.

⁹ A. Costa du Rels.

VI The two parties shall be enabled to make objections with regard to this latter decision but if the conference should insist upon its point of view the arbitral submission formulated by it shall have the same force as if it had been formulated by the Paraguayan and Bolivian plenipotentiaries and shall be submitted to the ratification of the two respective congresses.

VII An investigation as to the responsibility for the war.

VIII The holding of a conference in which the neighboring states shall participate for the purpose of studying the question of transportation between Bolivia and Paraguay and the manner of stimulating commerce between them.

I expressed to the Ambassador my particular appreciation of his Government's courtesy in giving us this detailed information which I said we had not as yet received, and that these reports would seem to be encouraging and to hold the prospect of some success and that after further study of the points made I would be glad to have a further conversation with him.

The Ambassador finally told me that his Government was informed by the Brazilian representative in Geneva that an attempt was being made by the Chaco Committee to agree upon the extension of an invitation to Brazil to be represented on the Chaco Committee and to formulate recommendations to the League Assembly. The Ambassador seemed to feel that this was an attempt to create difficulties between Brazil and the United States inasmuch as he said there had been no suggestion of inviting the United States. I told the Ambassador that I was completely without information on this latter point and I reminded him that when the League invitation had been extended last November to the United States and Brazil to appoint representatives to the Chaco Committee, both Governments had refused to do so. He said his Government had already instructed its representative in Geneva to refuse to make any comment upon the informal suggestion conveyed to him and not to permit himself to be drawn into any discussion of whether his Government would change the attitude it had adopted last November.

S[UMNER] W[ELLES]

724.3415/4722

Memorandum by the Assistant Secretary of State (Welles)

[WASHINGTON,] March 18, 1935.

The Argentine Ambassador ¹⁰ called to see me this morning.

He told me that he had just received a cabled instruction from Dr. Saavedra Lamas advising him of the Chaco peace move being headed

¹⁰ Felipe A. Espil.

by Argentina and Chile and stating that "inasmuch as this move implies the renewal of the application of the League recommendations, we understand definitely that the collaboration of the United States and of Brazil, non-members of the League, remains intact. For Argentina, the participation of the United States is a moral and material guarantee which could not be substituted. Your Excellency is instructed to sound out the manner of obtaining this collaboration of the United States, which, for the Argentine Government, is indispensable.[""]

I advised the Ambassador fully of the information received through the American Embassy in Buenos Aires from Dr. Saavedra Lamas, notably in the Embassy's cable No. 15, March 14, 7 p. m. I said that we had deeply appreciated receiving this information from the Argentine Government, but that as yet, as the Ambassador would understand, the Argentine Government had not informed us even in a general way of the exact bases for agreement which had recently been proposed by Argentina and Chile to Paraguay and Bolivia, nor had we received any information from either of the two Governments as to the specific and detailed replies made to the peace proposals by the two belligerents.

I said that we had received information regarding the specific peace proposals from other sources, but that, of course, this Government could not be sure of their accuracy, and that the information we had received of the replies given by Bolivia and Paraguay and of the attitude taken by those two Governments had been highly conflicting.

I said, therefore, that the Ambassador might state to his Foreign Minister that the United States deeply appreciated this friendly message of confidence and of the desire for our cooperation and that the Argentine Government was already well aware of the repeated evidences given by the United States of its desire to cooperate in the furtherance of peace during the past two years, as well as before. I reminded the Ambassador of the efforts which the United States had made together with Argentina and Brazil last summer and of the reply which the United States had made to the League communication of its recommendations. I said, therefore, that our general attitude of a desire to cooperate was thoroughly well recognized. However, I said, before we could definitely commit ourselves to favor effective cooperation of any character at this particular time, it would be necessary for us to be advised in the most detailed manner of the precise proposals which had been made to Paraguay and to Bolivia and likewise to know precisely what replies had been received from these two Governments. Furthermore, before the United States could renew any efforts of mediation it would have to assure itself that the two belligerents were desirous of securing its assistance in such manner.

Finally, I said, that while I assumed that the policy of the Brazilian Government would likewise be one of cooperation within the limits of the policy which it had previously determined upon, this Government would naturally want to have the opportunity of discussing with Brazil the issues involved before reaching any final conclusion. I said that this was due to the fact that both Brazil and the United States were non-members of the League and had been participating in the Chaco peace negotiations with Argentina at the time that Argentina had announced at Geneva that mediation negotiations were suspended.

I said to the Ambassador that I considered this message not as being in any way an invitation to the United States, but merely as a confidential and informal sounding of this Government by Argentina as to what the United States would be willing to do were an invitation extended to it by the Republics taking part in the peace negotiations, with the consent of the two belligerents, and provided a peace formula were definitely accepted by Bolivia and Paraguay.

The Ambassador said that he fully understood and appreciated our position. He remarked that no government could have more consistently endeavored to be useful in the cause of peace than the United States had and that, of course, it was impossible for us to agree at this moment to renew our cooperation until and unless we had absolutely complete information as to what was going on.

S[UMNER] W[ELLES]

724.3415/4644 : Telegram

The Chargé in Paraguay (Thurston) to the Secretary of State

ASUNCIÓN, March 18, 1935—noon.

[Received 5:19 p. m.]

18. The Minister for Foreign Affairs advised me this morning that he is instructing the Paraguayan Minister at Rio de Janeiro to express to the Brazilian Government the desire of Paraguay that the United States and Uruguay be members of any American mediation group that may be formed. It is hoped that Brazil may see fit to propose such membership; as it probably would encounter opposition it will be advanced by Paraguay or at least be countered by a Bolivian request for the inclusion of some other non-neighbor state.

Despite the tenor of the numerous press despatches from Geneva, Buenos Aires and Santiago I am assured by the Minister for Foreign Affairs that there has been no substantial change in the situation. That is to say that while Argentina and Chile are still engaged in explorations looking to a solution, no concrete proposal has been drafted and no mediatory organization developed.

THURSTON

724.3415/4649 : Telegram

The Chargé in Brazil (Gordon) to the Secretary of State

RIO DE JANEIRO, March 18, 1935—6 p. m.

[Received 8:50 p. m.]

62. With reference to the confusion which has arisen from the latest Argentine-Chilean Chaco activities culminating in their joint declaration of last Friday embodied in the report of the League Chaco Committee, the Foreign Minister today gave me a copy of a telegram he sent last Saturday to the Brazilian Consulate at Geneva to the following effect: The Brazilian Government has been informed on different occasions of the Argentine-Chilean conciliation activities in La Paz and Asunción but it has never even stated its opinion as to the merits thereof in accordance with its consistent policy to hold aloof from any action until the League had said its last word. The Brazilian Government does not understand that the Argentine-Chilean negotiations shall be prosecuted jointly by those two countries with the addition of Brazil and Peru; the Brazilian Consul is therefore instructed to inform the Secretary General of the League that Brazil is entirely ignorant of the resolution to that effect, "besides which" concludes the telegram, "we consider the condition *sine qua non* of our collaboration the presence of the United States".

As far as I can gather here there would appear never to have been a concrete formula to which the special Argentine and Chilean emissaries had secured the consent of Paraguay and Bolivia, respectively. In fact the Brazilian Minister at La Paz states that Nieto's proposals had been "relegated to the files". Moreover, the Brazilian Ambassador at Santiago reports that in response to his request for elucidation of the Argentine-Chilean joint declaration he was informed that it was due to a mistake in instructions. The Brazilian Ambassador at Buenos Aires is being instructed to make similar inquiry.

The Foreign Minister feels that in order to avoid being called upon to participate in sanctions Argentina and Chile sought to ward off League action by making it appear that they had achieved much more success than was actually the case and he characterized their action as "pure bluff".

GORDON

724.3415/4719½

Memorandum by the Assistant Secretary of State (Welles)

[WASHINGTON,] March 19, 1935.

The Brazilian Ambassador called to see me this morning at my request. I communicated to him the contents of the cable received from the American Embassy in Rio, No. 62, March 18, 6 p. m. and I

likewise communicated to him the contents of the cable received from the American Legation in Asunción, No. 18, March 18, noon.

The Ambassador then read to me a cable which he had just received from his Government advising that Paraguay had requested Brazil through the Brazilian Minister in Asunción to invite the United States and Uruguay to take part in any mediation proceedings that might be undertaken by any group of American republics and stating that Paraguay would not agree to accept mediation headed by Argentina and Chile unless Brazil, the United States, and Uruguay joined in the proceedings. The Ambassador said that his Government had replied to this message that Brazil had not agreed in any way to join Argentina, Chile and Peru in any peace mediation at this moment and that in no event would Brazil agree to take part unless the United States joined. The Brazilian Government further stated that it had not as yet received any concrete information from Argentina and Chile and that it was not advised of the attitude of the two belligerents to such proposals as may have been made by Argentina and Chile.

The Ambassador further stated that information received by the Brazilian Minister both in La Paz and in Asunción was to the effect that neither Government had committed itself in any way as to any suggestions for a peace conference which might have been proffered either by Argentina or Chile and that in the case of Bolivia, the latter Government was definitely hostile to the idea . . .

S[UMNER] W[ELLES]

724.3415/4663 : Telegram

The Chargé in Chile (Scotten) to the Secretary of State

SANTIAGO, March 22, 1935—5 p. m.

[Received 8:05 p. m.]

31. Cruchaga¹¹ requested me yesterday to telegraph the following memorandum prepared in the Foreign Office in order that the Department may be fully informed regarding the latest developments relating to the Chaco:

"The investigations recently conducted by Chile and Argentina originated in an initiative of Chile to find a basis for an arrangement between the parties, making possible the avoidance of the difficulty which would necessarily present itself in the meeting planned, we understood, for the 24th of February last. In effect, at the meeting of the Chaco Committee in Geneva on the 16th of January certain resolutions were adopted, some of which may be considered as sanctions against Paraguay. Chile expressed itself as opposed to the application of sanctions. Almost all the American nations belonging to the League of Nations expressed the same opinion. If the meeting

¹¹ Miguel Cruchaga Tocornal, Chilean Minister for Foreign Affairs.

of February 24th were held, it was logical to believe that the differing opinions of America and Europe with regard to sanctions would become evident. So as to avoid this, the Chilean Ministry of Foreign Relations negotiated for the postponement of this meeting and, at the same time, suggested to Argentina an investigation of the two parties for the purpose of seeking a reconciliation on the basis of the recommendations adopted by the League of Nations on November 24th, 1934, which Bolivia had accepted and Paraguay had observed in some of its provisions.

For this last investigation, the Government of Argentina sent to Asunción Señor Podestá Costa, an official of the Chancery. The result of his mission was a draft setting forth the form in which Paraguay would accept the recommendations of the League.

In recognition of this project and accepting an Argentine suggestion, the Government of Chile sent Señor Nieto del Río to La Paz to obtain consideration by Bolivia of that which Paraguay had accepted.

Meanwhile, in the negotiation for the postponement of the meeting of February 24th in Geneva, the conclusion had been reached that this meeting had not definitely been contemplated; in view of this the danger was no longer immediate.

But Paraguay, fearing—due to the interpretation of the recommendations of November 24 in the sense that the parties had a period of 3 months to accept it—that once this period was over, on February 24, the juridical situation of the belligerents would be altered due to the acceptance of the recommendations by Bolivia and their rejection by Paraguay, decided to announce its withdrawal from the League of Nations, as it did on the 23rd of February.

In view of this announcement the meeting, which was considered to be indefinitely postponed, was called anew by the Secretary General of the League of Nations. The danger foreseen by Chile reappeared, therefore, made more serious by the circumstance noted above. The 11th of May was set as the date for meeting.

Meanwhile, Nieto del Río had gained Bolivia's consent to consider the modifications of the recommendations which Paraguay had accepted. But Bolivia, in turn, as a means of guaranteeing the security of the parties, suggested the plan of simultaneously signing pacts in which Bolivia would promise Chile, Argentina, Brazil, and Peru not to recommence these hostilities, once they are terminated, and Paraguay in another pact would undertake similar obligations. Upon inquiry, Paraguay agreed to the plan in principle. Bolivia also accepted the investigation of the responsibility for the war.

A step of considerable importance had been taken in the reconciliation of the points of view of the parties.

With things at this stage, the meeting of the 11th of March took place in Geneva. As had been feared, the differing views of Europe and America became evident. The Committee extricated itself from this situation by postponing the resolution for the May Assembly in view of the investigations being carried on by Chile and Argentina, whose delegates made the following statement in Geneva:

'Chile and Argentina, desiring to collaborate within the limits of the League of Nations for the reestablishment of peace, have investigated the reactions of the parties to a plan based on the recommendations of the League, which they have reason to believe will be successful. The Governments of Peru and Brazil know of these steps taken by Chile and Argentina and all negotiations shall be

made by the four nations together. Chile and the Argentine adhere to the accepted plan of calling the Assembly for the 20th of May.'

Thus one of the reefs which might wreck pacific action of the type Chile believes valuable, was avoided.

The informal representations with Bolivia and Paraguay have continued slowly. Difficulties result from the fact that Bolivia does not which [*wish?*] to define which of the modifications suggested by Paraguay it does not accept unless Paraguay definitely accepts the plan for simultaneous pacts which it has accepted in principle. And Paraguay cannot make a definite statement until these pacts are formally proposed to it; it has answered the inquiries by accepting the principle; final acceptance—it says—will be given when the proposition is formally presented. Chile and Argentina, in their turn, will not formally propose anything without being assured of the cooperation of the limitrophe countries, in accordance with the agreement of the 6th of August, 1932;¹² they also hope to count on the assistance of the Government of the United States to a great extent.

The Government of Chile is making an effort in La Paz to achieve the definition of the modifications which Bolivia accepts. In case it does not succeed within a short time, and in view of what has been gained towards a solution, it will permit itself to suggest that a formal proposition be made anyway on the part of the limitrophe nations and of the United States, if it is willing, the cooperation of the latter being necessary in the opinion of the Chilean Government.

Up to the present time, all action has been informal and has involved mere inquiry with the two parties. The recommendations of the League of Nations has been taken as a basis, the idea being to achieve a direct agreement between the two parties which, once established, would be communicated to the League of Nations by them. Chile believes that in this manner it can coordinate the policy of the countries which are members of the League of Nations with that of those who do not belong to the institution at Geneva."

SCOTTEN

724.3415/4663 : Telegram

The Secretary of State to the Chargé in Chile (Scotten)

WASHINGTON, March 25, 1935—6 p. m.

13. Your 31, March 22, 5 p. m. Please express to the Minister for Foreign Affairs the Department's deep appreciation of his friendly courtesy in advising us so fully of the latest developments in the Chaco negotiations. You may further state that as Dr. Cruchaga is fully aware the Government of the United States is keenly anxious to assist in every practicable manner in furthering peace between Paraguay and Bolivia as it made clear only recently in its reply to the Secretary General of the League of Nations when informed of the League recommendations of November 24, 1934. You may further state that this Government will welcome all additional infor-

¹² *Foreign Relations*, 1932, vol. v, p. 168.

mation which Dr. Cruchaga may care to send it as negotiations proceed.

The Brazilian Government has transmitted to the Department the full text of the modifications to the League recommendations as proposed to the Bolivian Government, which, it is understood, were accepted by Paraguay before submission to Bolivia.¹³ The Bolivian Minister this morning, by instruction of his Government, informed the Department that these proposals have been accepted by Bolivia with only slight modifications. In your conversation with Dr. Cruchaga, you may inquire whether, in his opinion, the amendments suggested by Bolivia are of such a character as to retard agreement between the two belligerents.

HULL

724.3415/4781½

Memorandum by the Assistant Secretary of State (Welles)

[WASHINGTON,] April 2, 1935.

The Argentine Ambassador called to see me this morning. I informed him that we had just received cables from Santiago and Buenos Aires¹⁴ stating that Chile and Argentina had now formally invited the United States to take part in the mediation between Paraguay and Bolivia and that I was advised that similar invitations had been extended to Brazil and to Peru. I also told the Ambassador that I had now had time to read the memorandum and documentation¹⁵ transmitted to me confidentially by Dr. Saavedra Lamas through the Ambassador and that the Secretary was himself studying the file at this moment.

I told the Ambassador that while it was as yet impossible for me to make any formal or official reply to the invitation, I could tell him that the opinion held here was so far entirely favorable towards acceptance of the invitation and that I hoped to be able to give him the formal reply in very brief order.

I made the following points clear in my discussion with the Ambassador:

I stated that I construed the invitation to the United States to participate in the mediation solely as an invitation to join in the present peace move initiated by Argentina and Chile without any obligation on the part of the United States of any character whatsoever and that we would have free hands upon accepting the invitation

¹³ See memorandum by the Assistant Secretary of State, March 15, p. 14.

¹⁴ Telegrams No. 37, April 1, 9 p. m., from the Ambassador in Chile, and No. 19, April 1, 9 p. m., from the Chargé in Argentina, not printed.

¹⁵ A copy of the memorandum and enclosed documentation was transmitted to the Department by the Chargé in Argentina in his despatch No. 650, April 2; despatch not printed.

to make any suggestions that we saw fit with regard to the bases of the peace proposals and likewise that we would not commit ourselves in any way through acceptance towards the incurrence of any subsequent obligations. I spoke to him of the implied obligations which the suggested "pacts of honor" would necessarily entail and that on this point I fully shared the expression of opinion offered by Dr. Saavedra Lamas, but that I even went further in saying that I did not see how this Government could at any time agree to guarantee compliance by Paraguay and Bolivia of the obligations which they might enter into as the result of the present peace negotiations. The Ambassador stated that he personally was of the opinion that these proposed pacts could only be construed in one of two ways—either that they were pacts which would obligate the signatory countries to force the belligerents to comply with their obligations through the use of armed force on the part of the other governments entering into these pacts, or else that they were purely verbiage not worth the paper they were written on. The Ambassador stated that he did not see how the United States or Brazil, let alone his own Government, could ever agree to the former alternative.

I further told the Ambassador that the Paraguayan Government, through the Minister of Paraguay, had expressed to this Government its hope that Uruguay would be invited to take part in the mediation. I told the Ambassador that I had made no reply to the Minister beyond saying that this Government would give the most friendly consideration to the intimation made, but that I would appreciate it if Dr. Saavedra Lamas would send the Department full information as to the reasons why Uruguay had apparently been omitted from the invitations extended and what the intention of the Argentine Government was in regard to the participation of Uruguay in view of the explicit request made by Paraguay not only in the communication made to us but also in official documents transmitted to the Argentine Government as comprised in the file sent us for our information.

Finally, I asked the Ambassador to obtain from Dr. Saavedra Lamas his views as to the machinery which would be employed in the period which would exist between the time the mediation group is constituted and the formal opening of the proposed mediation conference in Buenos Aires—whether negotiations would be continued independently by the mediating powers in Asunción and in La Paz, or whether some group would be formed composed of the diplomatic representatives of the mediating powers sitting in one of the appropriate capitals to act as a clearing house for the negotiations.

S[UMNER] W[ELLES]

724.3415/4746

Memorandum by the Assistant Secretary of State (Welles)

[WASHINGTON,] April 4, 1935.

The Minister of Uruguay called to see me this morning and left with me a copy of a message which he had received by cable from his Government, translation of which is as follows:

"Please inform the Department of State that the Uruguayan Government would not wish to be excluded from the negotiations which are taking place to obtain peace in the Chaco and believes that such exclusion is not justified because of all the antecedents which present Uruguay as animated by high and lofty pacific purposes. At the same time, say to the Department of State that Uruguay would consider herself happy if she could join in the peace negotiations at the side of the United States and of Brazil."^{15a}

I told the Minister that I was very happy to receive this message from his Government and asked him to let his Government know, confidentially, that as soon as I had seen that Uruguay had not been invited by Argentina and Chile, I had asked the Argentine and Chilean Ambassadors to be kind enough to let me know confidentially what the reasons might be for the failure to extend an invitation to Uruguay. I told the Minister that as yet I had not received any full information but only the confidential statement from the Argentine Ambassador that the Argentine Foreign Minister had advised him that Argentina had desired the inclusion of Uruguay and was heartily in favor of it. I said that it would hardly appear appropriate, if the United States, as it now intended to, accepted the invitation to join the mediation negotiations, to insist upon the inclusion of Uruguay as a *sine qua non* to her participation. It might well be that after we had joined the negotiations, we could appropriately suggest the inclusion of Uruguay. I told the Minister that the moral importance of his Government on the Continent was recognized by all and particularly by the United States and that nothing would give this Government more satisfaction than to be associated with Uruguay once more in furthering peace proposals in the Chaco.

The Minister was most effusive in his appreciation of the attitude which we took and said that he realized fully that the United States could not at this moment tell the belligerents and Argentina and Chile whom to include in the negotiations, but that he hoped his country would be called upon to take part both because of its geographical position and because of the consistent efforts it had made during all of these past years to be of use in an impartial manner in the solution of the dispute.

S[UMNER] W[ELLES]

^{15a} Department of State translation revised by the editors.

724.3415/4731b : Telegram

*The Secretary of State to the Chargé in Argentina (Coæ)*¹⁸

WASHINGTON, April 6, 1935—3 p. m.

28. Please obtain immediately an interview with the Minister for Foreign Affairs and hand to him the following *aide-mémoire*:

"The Government of the United States has received through its Embassy in Buenos Aires the very welcome invitation which Your Excellency extended to it in the name of the Argentine Government to cooperate with the Governments of Argentina and Chile in promoting a fair and equitable solution by peaceful methods of the tragic dispute which has continued for so long a period between the Republics of Bolivia and Paraguay. The Government of the United States has received an identic invitation from the Minister for Foreign Affairs of Chile through its Embassy in Santiago. This Government further understands that the Governments of Brazil and Peru have likewise been invited to cooperate in these negotiations for peace.

While Your Excellency will of course understand that any specific reply to the invitation so courteously extended cannot be made until this Government has received the full text of the confidential note referring to the results so far obtained in the explorations which have been conducted by the Argentine and Chilean Governments, and requesting that the Government of the United States renew its cooperation in this sense, which was transmitted by air mail on April first, the Government of the United States desires without further delay to state that now as always it will be gladly disposed to cooperate with its sister republics of this hemisphere in using its best efforts to promote the cause of permanent peace on this continent. While the Government of the United States thus desires to collaborate wholeheartedly with Your Excellency's Government and with the other American Governments above indicated for the purpose mentioned, Your Excellency will, of course, appreciate that this expression of willingness will not be construed to imply that the Government of the United States would thereby be committed in advance to the support of any specific peace proposals, nor would thereby be impeded from offering such suggestions with regard to the formulation of peace proposals to the two belligerents which in its own judgment may advance the cause of peace, and furthermore, that this acceptance in general terms of the invitation so courteously extended does not imply that the Government of the United States would thereby enter into any implicit obligations.

Your Excellency may be assured that as soon as the confidential note of April 1 and the memorandum attached thereto are received by the Government of the United States, these documents will obtain preferential attention in order that a reply thereto may be immediately sent to Your Excellency."

HULL

¹⁸ The same, *mutatis mutandis*, April 6, 3 p. m., to the Ambassador in Chile as telegram No. 18.

724.3415/4731a : Telegram

The Secretary of State to the Chargé in Brazil (Gordon)

WASHINGTON, April 6, 1935—3 p. m.

48. Please obtain an interview immediately with the Minister for Foreign Affairs and advise him that your Government has today sent the following reply to the Governments of Argentina and Chile in response to the invitation extended to cooperate in the Chaco peace negotiations:

(Quote text of telegram of April 6, 1935 to Buenos Aires and Santiago.)

Throughout the past 2 weeks, I have consulted with Aranha continuously concerning all phases of the situation leading up to the extension by Argentina and Chile of the invitation to participate in the Chaco negotiations. Aranha has been fully informed of all the information received by the Department and he has in turn communicated to us *in extenso* all information communicated to him by his own Government. When the invitation was first received, Aranha believed that the Government of Brazil would unquestionably assume the same attitude as that taken by this Government. He himself agreed that the consistent policy maintained both by the United States and Brazil during the past 12 months of cooperating in the cause of peace whenever it was possible to do so, the nature of the replies made by both Governments to the League of Nations after receiving the League's recommendations of November 24, 1934, and finally, the public professions made by both Governments of their determination to cooperate with the other American Republics in obtaining a pacific solution of the Chaco dispute, would all make it illogical for Brazil and the United States to refrain now from lending their assistance when asked to do so by Argentina and Chile, particularly at a moment when both of the belligerents appear to be more strongly desirous of obtaining peace than at any other moment during the past 3 years. He shares the opinion held by the Department that the adoption of an attitude of non-cooperation by Brazil or by the United States at this juncture would subject our two Governments to well founded resentment on the part of the belligerent nations, on the part of Argentina and Chile, and on the part of continental public opinion in general.

The only explanation which Aranha can advance for the apparent reluctance of the Brazilian Government to adopt the attitude taken by the United States is the expression of opinion he has received from his Foreign Minister that the present negotiations are doomed to failure and that the serious discord existing between Argentina and Chile may give rise to serious further complications.

In your conversation with the Minister for Foreign Affairs, please do not refer to the personal opinions expressed by Aranha in this matter. You should state that this Government had believed that the policy of Brazil and of the United States with regard to cooperation in Chaco peace negotiations was very similar and that your Government regrets to learn of the reluctance with which the Brazilian Government would accept the present invitation. You should then point out that the reply made by the United States as above quoted is merely an expression on our part of our willingness to join with the other American Republics in attempting to obtain peace between Bolivia and Paraguay and that it neither commits the United States to any specific obligations nor does it commit the United States to any specific peace proposal; it merely states the willingness of the United States to cooperate in the formulation of a peace proposal to be presented to both belligerents and to join in the effort to persuade both belligerents to accept some fair and equitable solution. Finally, you may say that this Government would, of course, have very much preferred to see eye to eye with the Brazilian Government in this matter and has consequently postponed for several days the despatch of its reply, but that inasmuch as the United States could not refrain from cooperation under the circumstances in view of the policy which it has consistently maintained, it feels it necessary to transmit its reply to the two Governments which have extended the invitation without any further delay.

Please cable result of your conversation with the Minister for Foreign Affairs and advise the Department what, in your judgment, are the real reasons for the attitude now taken by the Brazilian Government.

HULL

PROPOSED CHACO ECONOMIC CONFERENCE

724.3415/4733 : Telegram

The Chargé in Brazil (Gordon) to the Secretary of State

RIO DE JANEIRO, April 7, 1935—5 p. m.

[Received 8:27 p. m.]

82. Your 48, April 6, 3 p. m. (which was only delivered at Embassy at 9 a. m. today). Following is result of long conference which I have had with Minister of Foreign Affairs, Secretary-General, and the chief Chaco expert of Foreign Office.

The officials above named appreciated the fact that our reply is only an expression of our willingness to join with other American Republics in attempting to obtain peace between Bolivia and Paraguay

without specific obligations on our part. The Foreign Minister proposes to answer the Argentine-Chilean invitation in the following manner: The first part of his reply will be essentially the same as ours. He will then state that as the invitation is to collaborate in efforts to secure Bolivian-Paraguayan agreement to modifications of the recommendations of the League of Nations of November 24, it would not be logical to accept the invitation at this stage inasmuch as if such agreement were secured it should properly be presented to the League of Nations Committee to decide whether such modifications were satisfactory; if this Committee (as he agreed it undoubtedly would) should decide in the affirmative it would then be up to the Committee to inform the United States and Brazil of the modifications agreed upon and to ask these two countries if in the light of their former answers to the League agreeing to collaborate on the basis of certain of its recommendations of November 24 they are equally prepared to agree to the modifications thereof.

The next point of the Brazilian answer is the fundamentally important one. In the documents accompanying the notes of April 1st conveying the Argentine and Chilean invitations there is contained a paragraph numbered 17 which is the proposed modification of paragraph number 16 of the League's recommendations of November 24. This proposed modification reads as follows:

"Simultaneously with the negotiations above mentioned there will be convoked a conference of neighboring states of Argentina, Chile, Peru, Uruguay, Paraguay, and Bolivia with the object: first, of studying the question of communications between Bolivia and Paraguay and between each of them and the neighboring states; second, of studying the regional agreements destined to stimulate the commerce of Bolivia and Paraguay; third, any other economic measure of reconstruction and development of Bolivia and Paraguay."

The Brazilian Government is unquestionably deeply resentful at being omitted from this conference; in its reply it will demand that it be represented and will suggest that the United States equally be invited to be represented inasmuch as Brazil considers United States representation essential in such matters as the economic and financial rehabilitation of two American countries completely exhausted by war.

The Minister added that he hoped our Government would agree with this point of view and in an entirely intimate vein said that he thought he would want to be in a position to be fully informed about oil developments in these regions.

With reference to the chief stumbling block—a revision of paragraph 17 above mentioned—the Brazilian Government was informed by its representative in Asunción over 2 weeks ago of its terms (inasmuch as the modification in question is understood to have originated

with President Ayala ¹⁷) ; on March 22 the Foreign Office telegraphed this information to Aranha ¹⁸ for communication to you but says it has never had an answer indicating your reaction to it. As this is the cardinal point to the Brazilian Foreign Office it is somewhat puzzled at this lack of answer (and yet it apparently has not telegraphed Aranha to insist upon his emphasizing the point and reporting an answer).

The foregoing in large part answers the query contained in the last paragraph of Department's telegram under reference. I should, however, add that over and above the position taken by the Brazilian Government as above set forth there is very definite feeling that the Argentine-Chilean invitation still represents a very half-baked proposition. Foreign Office's latest information from Asunción is to the effect that Paraguay, having withdrawn from the League, will have nothing to do with any mediation proposals which involve League action. As the present Argentine-Chilean invitation involves just this the Foreign Office feels entirely uncertain as to Paraguay's acceptance. It likewise feels that Bolivia's attitude is by no means definite and precise. This is expressed in a telegram sent today to Aranha.

At the conclusion of the conference the Foreign Minister expressed the earnest hope that the views of his Government as set forth in this telegram would carry weight with you in your further determinations as to the policy to be pursued at this juncture. Accordingly, Brazilian reply to Argentina and Chile will not be transmitted until Wednesday and he stated that he would welcome an expression of your views prior to that time.

I trust the foregoing fully responds to your desire to know the real reasons for the present attitude of the Brazilian Government.

GORDON

724.3415/4734 : Telegram

The Chargé in Argentina (Cox) to the Secretary of State

BUENOS AIRES, April 7, 1935—7 p. m.

[Received 8:35 p. m.]

20. Department's telegram No. 28 April 6, 3 p. m. I delivered *aide-mémoire* this afternoon to Minister for Foreign Affairs who said that the Ministry of Foreign Affairs was now receiving from Santiago by telephone the Bolivian reply obtained by Señor Nieto at La Paz. From what he had heard so far, he added, the reply while lengthy, held out possibilities. He is giving me shortly a memorandum concerning it

¹⁷ Eusebio Ayala, President of Paraguay.

¹⁸ Oswaldo Aranha, Brazilian Ambassador in the United States.

for your information which I shall forward by first available air mail. In response to my inquiry whether he intended taking it up with Paraguay, Saavedra Lamas said that he thought it would be better for such action to be taken by the mediating group. He spoke of the desirability of haste in forming this group in view of May 1st League meeting as well as for the purpose of avoiding the complications which might arise if Paraguay seized Villamontes and the oil wells in the surrounding country.

Cox

724.3415/4733 : Telegram

The Secretary of State to the Chargé in Brazil (Gordon)

WASHINGTON, April 8, 1935—2 p. m.

49. Your 82, April 7, 5 p. m. The views contained in your cable are exceedingly useful and the facts transmitted supply certain information which the Department had previously only gathered indirectly.

For your confidential information, the argument advanced by the Foreign Minister in the third paragraph of your cable and which will be contained in the Brazilian reply cannot, in the judgment of this Government, be taken very seriously and it assumes that it is merely utilized by the Brazilian Government for the purpose of justifying its attitude of refraining from committing itself until it can secure assurances regarding Brazilian participation in the proposed economic conference of neighboring states. It would be desirable to make no comment to the Brazilian Government regarding the attitude so taken.

Aranha has upon several occasions referred to the omission of Brazil from the countries specified to take part in the proposed economic conference, has expressed considerable resentment regarding such exclusion, and has indicated the desirability of the inclusion of the United States as well.

In my conversations with him on this point I have limited myself to stating that the first object set forth in the proposed modification to the League's recommendations covering the suggested economic conference which reads: "Study of the question of communications between Bolivia and Paraguay and between each of them and the neighboring states," would appear clearly to indicate the need of obtaining Brazilian participation in and approval of the formulation of measures to be determined upon and that consequently it would seem that the exclusion of Brazil from the list of states to deal with such studies could only be due to some inexplicable error.

With regard to the omission of the United States from the list of states mentioned, I have solely emphasized the fact that the proposals to be considered are to be dealt with by "neighboring states" and inasmuch as the United States is not, of course, a neighboring state, there would appear to be no reason for our inclusion. I have, however, remarked that anything which tends to extend in a practical way communications between the American republics and anything which tends to increase economic and commercial development on the continent are matters which will receive in principle the hearty support of this Government.

You may advise the Foreign Minister of the foregoing and further say that in the opinion of this Government the terms of the acceptance by the United States of the invitation tendered will, of course, make it possible for this Government to suggest any amendments to any peace proposal which may be offered the belligerents which seem practical and desirable, and that necessarily the desires of the Brazilian Government in this matter will receive our immediate and favorable consideration. Second, you may point out that the views of the Brazilian Government on this particular point would seem to imply that by accepting the invitation, the United States and Brazil would be definitely bound to the terms of peace proposals already formulated, namely, the exact text of the modifications of the League recommendations as at present drafted. You should emphasize that this is not the point of view held by this Government; that the United States has agreed to cooperate on the definite understanding that it reserves complete liberty of action to make such suggestions as it deems fit and to offer such amendments to the proposals already advanced as in its judgment may be desirable, and that consequently the United States, while fully realizing the justice of the contention of Brazil that it be included in the proposed economic conference, cannot share the view of the Brazilian Government that a general acceptance of the invitation such as that made by the United States would in any way hamper Brazil from insisting upon its inclusion in the economic conference during the course of the subsequent negotiations.

You may in conclusion express the hope of this Government that the views as above set forth may appeal to the Brazilian Government after further study, and you may add that this Government deeply appreciates the very frank statement of the Brazilian Government's position as made through you. The success of the proposed peace negotiations will, in my judgment, be greatly facilitated by a continuation of this free and frank interchange of opinions throughout the course of the mediation discussions between the Governments of Brazil and the United States.

HULL

724.3415/4733 : Telegram

The Secretary of State to the Chargé in Brazil (Gordon)

WASHINGTON, April 9, 1935—9 p. m.

52. Department's 49, April 8, 2 p. m. The Argentine Ambassador informed me this morning that he had just received a message from Dr. Saavedra Lamas advising him that the name of Brazil had been omitted from the list of countries to take part in the proposed economic conference solely because of a typographical error, which occurred when the modifications were drafted. It is understood that all of the Governments involved desire the participation of Brazil in the economic conference. Aranha was advised to this effect by the Argentine Ambassador this morning. It would be desirable for you, however, to mention it to the Foreign Minister as soon as possible.

HULL

724.3415/4750 : Telegram

The Chargé in Brazil (Gordon) to the Secretary of State

RIO DE JANEIRO, April 10, 1935—8 p. m.

[Received 8:40 p. m.]

85. Department's 52, April 9, 9 p. m. Foreign Minister received the information in question with the observation that the Governments of Argentina and Chile had had their attention called to this omission several weeks ago and had done nothing to rectify the typographical error.

The Brazilian answer to the invitation is now awaiting possible modification by the President but will probably be transmitted tomorrow. Foreign Minister states it will not touch on the unsympathetic argument of logic but will concentrate on the fact that Brazil has been omitted from the proposed economic conference and Uruguay included; it will contain, however, general terms so similar to ours that the door will definitely be left open. If Brazilian Government does not telegraph text of answer to Aranha does Department wish me to telegraph full text?

GORDON

724.3415/4755 : Telegram

The Chargé in Brazil (Gordon) to the Secretary of State

RIO DE JANEIRO, April 11, 1935—9 p. m.

[Received 10 p. m.]

88. My 85, April 10, 8 p. m. As text of Brazilian answer was cabled to Aranha last night the Department doubtless has it by now and will

probably feel as I do that it does not entirely come up to the indication given me yesterday by the Foreign Minister as reported in last clause of penultimate sentence of my telegram under reference. I have had no opportunity to ascertain whether last minute changes were made by the President after the Foreign Minister departed for São Paulo early last night.

In the Foreign Minister's absence the Secretary-General this afternoon convoked the Ambassadors of Argentina, Chile, Peru, and Uruguay, the Ministers of Bolivia and Paraguay and myself to deliver to them copies of the text of the Brazilian answer. The Argentine and Chilean Ambassadors spoke at length insisting that the exclusion of Brazil from the economic conference must have been a mistake; that the original error must have been carried over without being noticed through various redrafting and retypings of the documents accompanying the invitations of Argentina and Chile; that personally they were convinced that their country would not think of excluding Brazil from the conference knowing how thoroughly their Government appreciated the consistent collaboration of Brazil in Chaco peace efforts.

The Secretary-General then replied that as far back as February 6 the Paraguayan Government had called the attention of the Argentine Government to the omission of Brazil from the proposed conference in the preliminary documents dealing with the proposed modifications to the League's recommendations of November 24 and that the Chilean Government had likewise had its attention called to this matter as long ago as the middle of March.

The two Ambassadors had nothing new to say in rejoinder and simply went over the same ground again.

The Chilean Ambassador asked the Secretary-General if the Brazilian answer constituted definite refusal to which the Secretary-General replied that it was a definite refusal to participate under the present conditions.

The Bolivian Minister in lamenting the misunderstanding said that this proposed mediation was doomed to complete failure if Brazil were not represented and he saw no reason why the mistake could not be cleared up by written declarations from the Governments of Chile and Argentina. The Ambassadors of those two countries concurred.

The formal meeting then terminated but the participants remained in conversation but mostly going over the same ground. On one point, however, developed during the informal conversations, was that the Uruguayan Ambassador expressed his inability to understand why his Government had not been included in the political as well as in the economic conference.

As I was leaving the Secretary-General confirmed the statement made to me yesterday by the Foreign Minister that the Brazilian Government considers the door left open by this answer, saying that he thought of course the answer only constituted the first step in many further exchanges of notes. I shall seek a better opportunity tomorrow to ask him just how he interprets the last paragraph of the answer and how he expects it to be interpreted by the other interested Governments.

The Brazilian Government does not intend to publish the text of the answer.

GORDON

724.3415/4761a : Telegram

*The Secretary of State to the Chargé in Argentina (Cox)*¹⁹

WASHINGTON, April 12, 1935—5 p. m.

31. Please call upon the Minister for Foreign Affairs and inform him that this Government, of course, would view with the greatest regret the failure of Brazil to participate in the Chaco peace negotiations, since it considers that the collaboration of Brazil would be of the utmost value. From a statement made by Dr. Cruchaga to our Embassy in Santiago and from a message received here some days ago through the Argentine Ambassador, this Government is informed that the omission of Brazil from the list of states selected to take part in the proposed economic conference was due solely to a regrettable error. This Government is further advised by messages through the Paraguayan and Bolivian Legations in Washington that the two belligerent Governments both desire the active participation of Brazil in the peace negotiations. Should the Governments of Argentina, Chile and Peru deem it desirable, and should the two belligerent governments be in accord, the Government of the United States would be very happy to join with the Governments of Argentina, Chile, and Peru in addressing a joint appeal to Brazil to participate in the peace negotiations on the understanding that the omission of Brazil from the list of states to take part in the economic conference was due solely to a typographical error and that the other mediating nations, as well as the belligerent countries, unanimously desired Brazilian participation in that conference.

You may further state for Dr. Saavedra Lamas's confidential information that the text of the Brazilian reply was not discussed with this Government before it was drafted and that this Government has, of course, not indicated in any way that it desired to be represented at the proposed economic conference. In fact, as stated in the 17th

¹⁹ A similar message was sent to the Ambassador in Chile as telegram No. 21.

article of the proposed modifications to the League recommendations, the states designated to take part in the proposed economic conference are "neighboring states," and there would consequently seem to be no logical reason why the United States should participate therein.

You may likewise say that this Government stands ready to be of all appropriate assistance in joining with the other mediating powers in finding some solution of the present difficulty, which will make it possible for Brazil to collaborate wholeheartedly in these peace efforts.

HULL

724.3415/4762 : Telegram

The Chargé in Brazil (Gordon) to the Secretary of State

RIO DE JANEIRO, April 12, 1935—7 p. m.

[Received April 13—12:14 a. m.]

91. My 88, April 11, 9 p. m. Secretary General of Foreign Office this afternoon (Foreign Minister will be in São Paulo till Monday) stated that his Government feels that the Brazilian answer left the door open although he agreed that this interpretation required some reading between the lines: the statement that Brazil regrets keenly not being able to participate in the present negotiations can be read as meaning that if the present conditions were changed and an "amende Honorable" were made by Argentina and Chile with respect to the proposed economic conference Brazil might reconsider the possibility of participating. Apparently some Foreign Office officials felt that Argentina and Chile would take this step while others felt that the narrow opening left by the Brazilian answer would not be availed of. The latter proved to be right for at luncheon today the Argentine Ambassador informed the former Secretary General of the Foreign Office that he had been instructed by his Government formally to notify the Brazilian Government that in view of its refusal to participate the Argentine Government would withdraw from the present mediation negotiations and that he would carry out that instruction. Later this afternoon the Secretary General and the Foreign Office Chaco expert, with whom I talked separately, were of the opinion that Argentina did not want these mediation negotiations to succumb [*sic*] as too much credit would go to Chile if they did (see your instruction No. 310 of April 1st,²⁰ memorandum of conversation of March 26) and was glad to sabotage them at the first excuse. They both also felt that the Government of Paraguay, dominated by the military element, was opposed to this mediation and that as I have previously reported it was erroneous to say that the Paraguayan

²⁰ Not printed.

Government had ever definitely accepted the proposals upon which the present invitations from Argentina and Chile were based.

When I said that even if they were right concerning Argentina I did not see how that could explain the action of Chile in excluding Brazil from the proposed economic conference they offered no explanation.

The net impression I have gained is that the Brazilian Government is genuinely convinced that the present mediation negotiations rest upon such an uncertain and confused basis that they cannot succeed and it evidently disagrees with the view expressed in the first paragraph of the confidential section of your telegram 48, April 6, 3 p. m. that both of the belligerents appear to be more strongly desirous of obtaining peace than at any other moment during the past 3 years.

Over and above that the underlying distrust of Argentina—which I have reported to you as being clearly discernible in the Foreign Office—has been fanned into active resentment by the various events attendant upon the present Argentine-Chilean mediation efforts which include Brazil's knowledge that as far back as 2 months ago her exclusion from the mediation conference was called to the attention of the Argentine Government. The continued failure to rectify that omission, the unauthorized joint declaration made to the League (see my 62, March 18, 6 p. m.) and finally the irregular form of the formal invitation with the same omission in both. The resentment engendered by these events seems clearly for the moment at least to be principally directed against Argentina. The Secretary General this afternoon stated that he felt Brazil's answer had "punctured an abscess" as Brazil had made it clear that her independence of action was not to be impinged upon and I imagine that this represents the present majority view among responsible officials.

At all events this present state of mind is regrettable not only intrinsically and with respect to Chaco peace efforts but also on account of the very definite effect it may have upon President Vargas's forthcoming visit to Buenos Aires.

GORDON

724.3415/4764 : Telegram

The Chargé in Argentina (Cox) to the Secretary of State

BUENOS AIRES, April 13, 1935—noon.

[Received 3 p. m.]

24. In the absence of the Minister for Foreign Affairs who left this morning for the country for a few days I communicated contents of Department's 31 April 12, 5 p. m. to the Under Secretary for Foreign Affairs who said he would at once communicate with the Minister.

Cox

724.3415/4765 : Telegram

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

SANTIAGO, April 13, 1935—noon.
[Received 2:55 p. m.]

46. Department's 21, April 12, 5 p. m.²¹ Cruchaga is deeply grateful for Department's message and accepts wholeheartedly the suggestion of a joint appeal to Brazil. He suggests that appeal be in the form of a telegram from Washington signed by the Secretary of State and by the Ambassadors of Argentina, Chile and Peru acting under instructions from their respective Governments. He promises to send appropriate instructions immediately to Ambassador Trucco in this sense. He expresses the hope that the Department either has made or will make a suggestion similar to its 21, April 12, 5 p. m. to Governments of Argentina and Peru.

Cruchaga explained for the information of the Department that the Brazilian reply not only "protested" strongly about the omission of Brazil from the economic conference but expressed "surprise" that the United States was not included in the latter and expressed "surprise" that Uruguay was not included in the political conference. Cruchaga stated that he will instruct the Chilean Ambassador in Washington to the effect that if it seems desirable to meet Brazil's objections on these last two points as well as point 1 in the joint appeal, he is authorized to do so as Chile has not the slightest objection to the inclusion of the United States and Uruguay in the form apparently desired by Brazil.

SEVIER

724.3415/4776 : Telegram

The Chargé in Brazil (Gordon) to the Secretary of State

RIO DE JANEIRO, April 17, 1935—7 p. m.
[Received April 17—7 p. m.]

98. My 92, April 13, noon.²² Foreign Minister informed me today that the Argentine Ambassador has now delivered to him the notification in question but only orally.

Foreign Minister also informed me that he has received a note from the Chilean Government urging the Brazilian Government to save the joint mediation effort by participating therein but making no ref-

²¹ See footnote 19, p. 35.

²² Not printed.

erence to the question of representation on the proposed economic committee.²³

GORDON

724.3415/4765 : Telegram

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

WASHINGTON, April 18, 1935—3 p. m.

23. Your 46, April 13, noon. You may inform Dr. Cruchaga of my deep appreciation of his message. You may add that while a message similar to that addressed to him was sent simultaneously to Dr. Saavedra Lamas, no response has as yet been received by the Department from Buenos Aires. It is understood that Dr. Saavedra Lamas is absent from the Foreign Office and it may be that the delay in receiving a response is due to that fact. You should state further that I feel sure that Dr. Cruchaga will understand that until a reply is forthcoming from the Argentine Government it will be difficult for this Government to take any further steps in the matter.

The Chilean Embassy [*Ambassador?*] in Washington has not as yet received the instructions from Dr. Cruchaga which, according to your telegram under reference, were to be sent him.

For your confidential information and not for discussion at this time, the Department is by no means certain that it would be desirable to have the proposed representations to Brazil emanate from Washington in the manner suggested by Dr. Cruchaga. It would probably be more satisfactory, should the Argentine Government be in accord with the suggestion made, that communications be addressed to the Brazilian Government simultaneously by all of the mediating governments and by the belligerent governments as well.

HULL

724.3415/4800

*Memorandum by the Chief of the Division of Latin American Affairs
(Wilson)*

[WASHINGTON,] April 18, 1935.

Mr. Wiggin, First Secretary of the British Embassy, came in by appointment. He stated that the Embassy had received telegraphic

²³ Telegram No. 104, April 24, 6 p. m., from the Chargé in Brazil contains the following rectification of this statement: "I now understand that the information given me by the Foreign Minister and reported in the second paragraph of my 98, April 17, 7 p. m., was inaccurate: only a telegraphic summary of the Chilean note had then been received and apparently that summary made no reference to the economic committee matter; the full note has now been received and I understand does cover that point." (724.3415/4802)

instructions from the British Foreign Office to discuss with the State Department the possibility of a joint effort by Great Britain and the United States to induce Brazil to accept the Argentine-Chilean invitation to participate in the proposed Chaco mediation. At about the same time that the telegram was received from London, the Embassy received a cable from the British Ambassador at Rio de Janeiro advising that he had seen the Brazilian Foreign Minister and strongly urged him to accept the Argentine-Chilean invitation; but that Brazil's reply had not been altogether reassuring. It seemed from this, said Mr. Wiggin, that as the British had already acted at Rio de Janeiro there was really no longer any question of joint action by Great Britain and the United States; he would, however, appreciate any information I could give him.

I explained briefly the efforts made by Argentina and Chile to sound out in Asunción and La Paz the possibilities of mediation; the invitation addressed by Argentina and Chile to the United States, Brazil and Peru; the acceptance in general terms by the United States and the acceptance by Peru, and the Brazilian reply declining the invitation because of the omission of Brazil from the proposed Economic Conference. I said that the Argentine and Chilean Governments had advised us that the omission of Brazil's name from the countries to take part in the Economic Conference had been caused solely by a typographical error at the time when drafts and re-drafts of the various proposals were being made, and that all the governments involved in the proposed mediation desired the participation of Brazil in the Economic Conference. I said that we decidedly hoped that Brazil would see her way clear to participate in the proposed mediation, that we had so informed Brazil, and that we felt that Brazil's reply to Argentina and Chile had in fact left the door open.

I told Mr. Wiggin that I felt, in view of what had taken place in this matter, and inasmuch as the Brazilian Government was aware of the views held by his Government and by the Government of the United States, that there was really no reason to consider any joint action by the United States and Great Britain. Mr. Wiggin agreed.

EDWIN C. WILSON

724.3415/4799

Memorandum by the Chief of the Division of Latin American Affairs (Wilson)

[WASHINGTON,] April 19, 1935.

Mr. Wiggin of the British Embassy telephoned and referred to our conversation of yesterday (see memorandum dated April 18). He

stated that the Embassy had received another cable from its Foreign Office to the effect that the British Ambassador in Rio de Janeiro in urging the Brazilian Government to accept the Argentine-Chilean mediation invitation had acted before receipt either in Washington or Rio de Janeiro of the Foreign Office's suggestion that there might be a joint Brazilian [*British?*]-American *démarche* in Rio de Janeiro. The Foreign Office therefore believed that the possibility still existed for joint action by Great Britain and the United States. Furthermore, the British Ambassador at Rio de Janeiro reported that he had been told on April 16 by the Brazilian Minister for Foreign Affairs that the latter thought that in a week or two an entirely fresh mediation might be initiated by Brazil and the United States, "whom both contenders can trust", and that Argentina would be placated by being invited to participate and to have the mediation take place in Buenos Aires. The British Government felt any such move by Brazil would "raise complications as to starting something fresh"; they therefore suggested that the United States might join with Great Britain in urging Brazil not to undertake any such initiative but simply to accept the original Argentine-Chilean invitation. Mr. Wiggin asked our views.

I stated that, as I had said yesterday, we had informed Brazil of our earnest desire that she might see her way clear to participate in the proposed mediation and Brazil was therefore fully aware of our views in the matter, as well as of the fact that all the governments involved in the proposed mediation desired Brazil's participation. I said that we were confident that Brazil would ultimately be found among the mediating nations, and that under the circumstances I did not see anything to be gained by any joint action of the United States and Great Britain in Rio de Janeiro. Mr. Wiggin expressed his concurrence in my views and said that he would inform his Government.

EDWIN C. WILSON

724.3415/4794a : Telegram

The Secretary of State to the Chargé in Brazil (Gordon)

WASHINGTON, April 20, 1935—1 p. m.

57. The Brazilian Ambassador yesterday showed me in strict confidence two personal cables which he had just received from President Vargas. The first cable, acknowledging the receipt of a letter which Aranha had sent by air mail urging participation by the Brazilian Government in the Chaco negotiations, expressed President Vargas's general agreement with Aranha's views, mentioned the fact that Vargas had received in personal audience the Argentine and Chilean Ambassadors, who had expressed the regret of their respective govern-

ments for the error in the omission of the name of Brazil from the countries to take part in the proposed economic conference, and stated definitely that should the Brazilian Government receive an "official rectification," President Vargas was determined to reconsider the attitude taken by Brazil and to accept the invitation to participate in the negotiations. The cable concluded with an instruction to Aranha to advise this Government that Brazil desired to cooperate at all times with the United States in all matters of foreign policy.

The second cable, which was apparently transmitted only one hour after the despatch of the cable above referred to, stated that the President had just received his Foreign Minister, who, to President Vargas's surprise, informed him that he had invited in the President's name the Ministers of Bolivia and Paraguay to enter into a discussion of a peace settlement "under the auspices of the President of Brazil". President Vargas informed Aranha that he strongly disapproved the action taken by Macedo Soares, but that in view of the situation created he did not feel able to "disavow" the move which he had made. Aranha expressed himself as being highly indignant at what he termed the ill considered step taken by his Foreign Minister and informed me that he had sent a strong cable to President Vargas in that sense.

It is evident that if this move becomes known to the Argentine and Chilean Governments, it will be interpreted as an evidence that Brazil is attempting to take over the peace negotiations herself and will create an increased state of tension between Argentina and Brazil. I hope that the invitation extended to the Bolivian and Paraguayan representatives in Rio by Dr. Macedo Soares will not become publicly known and that President Vargas may be able to let the matter drop, as he apparently desires to do. Please cable the Department of developments which may arise as the result of the step taken bearing in mind that the information above conveyed must be regarded as strictly confidential and solely for your own advice.

With the desire of relieving the situation created by the Brazilian reply to the invitation extended by Argentina and Chile, the Department some days ago informed the Argentine and Chilean Ministers of Foreign Affairs that should they so desire, it would be glad to join with Argentina and Chile and Peru in an appeal to be made simultaneously to Brazil by this Government and by the two belligerents informing Brazil that all of the Governments involved had from the outset of the present negotiations desired the participation of Brazil both in the mediation negotiations as well as in the proposed economic conference and that these Governments jointly hoped that Brazil might find it possible to collaborate in the negotiations in view of these assurances. The Chilean Government immediately accepted

the suggestion wholeheartedly, but there has been no reply forthcoming from Argentina as yet, due possibly to the absence of Saavedra Lamas from Buenos Aires. Aranha has been informed in a general sense of this suggestion. No decision as to the exact nature of the proposed appeal to Brazil can, of course, be reached until the attitude of the Argentine Government is known.

HULL

724.3415/4794a Suppl. : Telegram

The Secretary of State to the Chargé in Brazil (Gordon)

WASHINGTON, April 22, 1935—1 p. m.

59. Department's 57, April 20, 1 p. m. last paragraph. Aranha has read to me ²⁴ a further personal cable received by him from President Vargas in which the latter welcomes the tentative suggestion made by the Department and states that if the action proposed can be taken, Brazil will reconsider her attitude and definitely participate in the Chaco negotiations.

I am as yet without any further information on this matter from Buenos Aires.

HULL

724.3415/4812a : Telegram

The Secretary of State to the Chargé in Brazil (Gordon)

WASHINGTON, April 26, 1935—5 p. m.

66. The Department has now been advised by the Ambassadors of Argentina, Chile, and Peru by instruction of their respective Governments that the three Governments named have approved in its entirety the following note to be addressed jointly by the diplomatic representatives in Brazil of Argentina, Chile, Peru, and the United States to the Minister for Foreign Affairs of Brazil:

"The Governments of Argentina, Chile, Peru, and the United States have learned with deep regret of the reply made by the Government of Brazil to the invitation extended to it by the Governments of Argentina and Chile to participate as one of the mediatory powers in the negotiations which it is hoped may result in the formulation of a proposal for a pacific solution of the hostilities between Bolivia and Paraguay equally acceptable to both of the belligerent nations.

²⁴ This telegram was drafted by Assistant Secretary of State Sumner Welles. From a memorandum of April 20, 1935, by Mr. Welles, it appears that the telegram from President Vargas was read to him rather than to the Secretary of State (724.3415/4796).

Both the Governments of Argentina and of Chile, which extended the invitation, and the Governments of the United States and of Peru, which have accepted the invitation to take part in the peace negotiations, welcome this opportunity of informing the Government of Brazil that they jointly consider the participation by Brazil in these negotiations indispensable, in order to assure the successful outcome thereof so earnestly hoped for by every one of the American republics. They deplore the involuntary omission of Brazil from the list of states which it was suggested should participate in an economic conference, regarding which omission the countries which initiated the exploratory conversations have already addressed themselves to the Government of Brazil. The Governments of Argentina and Chile are glad to reassure the Government of Brazil that from the outset of the confidential negotiations undertaken under the auspices of these two Governments, the participation of Brazil in that conference was regarded as essential.

Furthermore, the Governments of Argentina, Chile, Peru, and the United States have been advised by the Governments of Bolivia and Paraguay that they likewise have consistently believed that the Government of Brazil should take part in the proposed economic conference, and moreover, that they regard the participation by Brazil in the peace negotiations as an essential factor in assuring their successful termination.

In their common endeavor to further a just and equitable solution of the tragic controversy between their sister republics of Bolivia and Paraguay, the Governments of Argentina, Chile, Peru, and the United States require the invaluable collaboration and assistance of the Government of Brazil and they express their hope that the Government of Brazil may find itself enabled, in view of the assurances above given, to reconsider the attitude which it has previously felt it necessary to take, and to join with them in their effort to bring lasting peace to the American continent."

It has been further agreed that the diplomatic representatives in Rio de Janeiro of the four countries mentioned should agree among themselves as to the time and date for presentation of this note to the Brazilian Foreign Minister, and the Argentine, Chilean, and Peruvian Ambassadors in Rio de Janeiro have been instructed by their respective Governments to communicate with you in order to reach a common agreement as to the time for the presentation of this note to Dr. Macedo Soares. It has been likewise agreed that the four diplomatic representatives should jointly sign the same document, but if because of language difficulties this is believed to be impracticable, you are authorized to suggest either that the note be addressed to the Foreign Minister in French or else that duplicate copies be made, one in Spanish and one in English, both copies to be signed by all four representatives.

The Department believes it of the utmost importance that the note be presented at the first available opportunity.

I am informed this morning by Aranha of the receipt by him of a cable today from President Vargas requesting that the note be presented immediately and stating that the Government of Brazil will thereupon immediately give a favorable reply. While there is some intimation in this cable that the Brazilian Government in its reply may make certain observations with regard to the inclusion of Uruguay in the negotiations and the participation by the United States in the proposed economic conference, Aranha has again urged the President to postpone discussion of these points until after the mediation commission is installed and is functioning in Buenos Aires.

Please cable the Department as soon as a time has been fixed for presentation of this note to the Brazilian Government.

HULL

724.3415/4823 : Telegram

The Chargé in Brazil (Gordon) to the Secretary of State

RIO DE JANEIRO, May 2, 1935—2 p. m.

[Received 2:35 p. m.]

113. My 109, April 29, 9 p. m. [*a. m.*]²⁵ Following is text in translation of Brazilian note of reply dated May 1st delivered to Ambassadors of Argentina, Chile, Peru and myself this morning; the Foreign Office invested the occasion with considerable ceremony:

"It was with the greatest satisfaction that I received day before yesterday from your hands and in the presence of the Ambassadors of Argentina, Chile and Peru the collective note in which the Governments thus represented solicit for the Chilean-Argentine negotiations on behalf of the reestablishment of peace between Bolivia and Paraguay and as 'an essential factor in assuring their successful termination' the cooperation of Brazil.

2. The Brazilian Government could not remain indifferent to the fraternal manifestation of the countries which have just testified in such a highly significant manner to the unfailing fidelity of Brazil to the ideals of peace and strict respect for the legitimate interests of the belligerents.

3. In view of such a moral guarantee, so elevated and noble, in the affirmation of which even the belligerents have associated themselves, the Brazilian Government desires nothing more than 'to join with all in the common effort to assure lasting peace to the American Continent furthering a just and equitable solution of the tragic controversy between the sister republics of Bolivia and Paraguay'."

The Department will note that the quotations in the Brazilian note do not follow precisely the text of our collective note to which they purport to refer.

²⁵ It read: "Note will be delivered at 11 o'clock this morning." (724.3415/4816)

Along with the note there was delivered a summary of a telegram sent yesterday to the Brazilian Embassies in Washington, Santiago, Lima and Buenos Aires, and their Legations in Asunción and La Paz which brought up again the suggestion of having a meeting between the Foreign Ministers of Bolivia and Paraguay and the point concerning the inclusion of the United States in the economic conference and Uruguay in the political (see my 105, April 25, 2 p. m.²⁶). I assume that Aranha has communicated this telegram to you.

GORDON

THE MEDIATION GROUP

724.3415/4823 : Telegram

The Secretary of State to the Chargé in Brazil (Gordon)

WASHINGTON, May 3, 1935—8 p. m.

76. Your 113, May 2, 2 p. m. and 115, May 2, 7 p. m.²⁷ Aranha²⁸ this morning read to me²⁹ the message he had received from his Government referred to in the last paragraph of your cable first above mentioned. The message was in the nature of an explanation of the position taken by Brazil after her original refusal to participate in the Chaco negotiations and a summary of the communications exchanged between the Brazilian Foreign Office and the Governments of Bolivia and Paraguay. At the end of the message, the intimation was clearly conveyed that the Brazilian Foreign Minister³⁰ desired to have the support of this Government for a proposal that preliminary conversations be held between the Foreign Ministers of Paraguay and Bolivia in the presence of the representatives of the mediating powers and that thereafter, should these conversations result in an agreement for cessation of hostilities, the President of Argentina should invite the nations concerned to designate representatives to undertake the definitive peace negotiations in general accordance with the League recommendations. No specific mention, however, was made that the seat of the preliminary conversations should be Rio de Janeiro rather than Buenos Aires.

Aranha is vigorously opposed to the taking of any initiative at the present moment by the Brazilian Foreign Minister and as emphatically opposed to the holding of any preliminary conversations in Rio de Janeiro. He stated that he would immediately communicate to his

²⁶ Not printed.

²⁷ Latter not printed.

²⁸ Oswaldo Aranha, Brazilian Ambassador in the United States.

²⁹ Apparently to Assistant Secretary of State Sumner Welles, by whom this telegram was drafted and initialed.

³⁰ José Carlos Macedo Soares.

Government his own recommendations in the matter and urge that Brazil send at once a special representative to take part in conciliation discussions in Buenos Aires and that this representative of the Brazilian Government should limit himself during the early sessions to urging the inclusion of Uruguay in the negotiations and to making such other suggestions as might be necessary in order to facilitate the course of the negotiations.

I³¹ stated to Aranha that this Government had, of course, both in its reply to the League recommendations and in its reply extended to Argentina and Chile accepted in principle the idea of sending a representative to peace negotiations to be held in Buenos Aires and that, consequently, it would be difficult for this Government to reverse its attitude unless it were informed that all of the other participating governments desired that preliminary conversations be held in Rio de Janeiro. I further stated that I could not see how any clear line could be drawn between preliminary conversations and the proposed peace negotiations as planned in the bases which had been submitted to this Government by Argentina and Chile and that I feared that if a proposal were officially made for a change of scene in the holding of the preliminary conversations, considerable discussion would ensue and some bad feeling might result. Since Aranha made it plain that the message from his Government was not to be construed as an invitation, I emphasized that the attitude of this Government was that it would be glad to take such action in the matter as might be desired by the other Governments participating, but that it did not feel called upon for the reasons above mentioned to take any initiative therein.

I further stated to Aranha that this Government would be glad to support the proposal of Brazil in the first conversations which might be had that Uruguay be invited to participate in the negotiations, but that, of course, this Government could express no opinion as to its own participation in the proposed economic conference although it appreciated deeply the friendly attitude shown by Brazil in insisting that the United States be invited to take part in that conference.

In your conversations with the Minister for Foreign Affairs you may be guided by the above, although for obvious reasons, it would be desirable for you not to refer to the personal opinions expressed by Aranha, who, I understand, is going to communicate directly with the President of Brazil in the matter.

The Department will advise you of any information which may be received from the Argentine and Chilean Governments with regard to the subject of the suggested preliminary conversations between the Foreign Ministers of the belligerent nations.

HULL

³¹ Apparently Mr. Welles.

724.3415/4837: Telegram

The Chargé in Brazil (Gordon) to the Secretary of State

RIO DE JANEIRO, May 6, 1935—4 p. m.

[Received 5:45 p. m.]

119. Department's 76, May 3, 8 p. m. and my 118, May 4, 1 p. m.⁸² I have just had a long talk with the Minister for Foreign Affairs. He says he is sending a telegram to Aranha this afternoon giving him a more detailed account than hitherto of the conversations he (the Minister) has recently had with the belligerents.

The draft of that telegram which he showed me was to the effect that after Brazil had refused the joint Argentine-Chilean invitation of April 11 [1] the Foreign Minister decided that the best way to avoid the accusation that Brazil had broken up the peace mediations was for her to prove the contrary by engaging in direct conversations with the belligerents with a view to bringing about some developments which would further rather than block the mediation efforts: he felt that direct preliminary conversations between the Foreign Ministers of the belligerents in order to formulate a solid basis for the mediation conference at Buenos Aires would constitute such a development and in proposing this to the belligerents he added the suggestion that these direct preliminary conversations be held in Rio under the auspices of President Vargas.

When telling me this today the Foreign Minister said that he regretted that he had entirely forgotten to mention this latter point either to me or to Aranha. He went on to say that now that the accusation of breaking up the conference could no longer be leveled against Brazil he had no intention of insisting on holding the preliminary conversations in Rio. In fact he told me explicitly (I wrote it down in his presence) that inasmuch as you felt that it would be inadvisable to hold these conversations in Rio he would be quite willing to have you tell the Argentine Government that you had expressed to the Brazilian Minister for Foreign Affairs the view that you thought it preferable to hold the direct preliminary conversations between the two belligerent Foreign Ministers at Buenos Aires and that he (the Brazilian Foreign Minister) had agreed.

The Minister hoped that in view of all the foregoing you would see no difficulty in joining the other Governments concerned in proposing to the Paraguayan Government that these direct preliminary conversations between the Foreign Ministers of the belligerents be held in Buenos Aires. I gather from the last sentence in paragraph 3 of your telegram under reference that you would be prepared to take such action.

⁸² Latter not printed.

The Minister further said that as soon as both belligerents had formally agreed upon the direct conversations between their Foreign Ministers he hoped that Brazil and the United States might then make a further proposal to the belligerents of an immediate truce. I presume, and ventured so to reply, that this would require careful consideration.

For my own information I should appreciate being instructed as to the two assumptions I have just indulged in.

The Foreign Minister appears to feel that in suggesting these direct preliminary conversations and with the further suggestion of a truce, he will have displayed all the initiative that he intends to and that Brazil's main object in the mediation conference will thenceforward be to harmonize her policy entirely with ours.

GORDON

724.3415/4837 : Telegram

The Secretary of State to the Chargé in Brazil (Gordon)

WASHINGTON, May 7, 1935—2 p. m.

82. Your 119, May 6, 4 p. m. You may express to the Minister for Foreign Affairs my particular appreciation of the very frank and helpful views communicated to you and reported in your cable under reference. You may also say that I feel that the maintenance of such intimate cooperation between our two Governments throughout the course of the peace negotiations will be of the greatest service.

I am particularly gratified to learn of the willingness of the Brazilian Government that the preliminary conversations be held in Buenos Aires. As stated to you in a previous cable, it would seem very difficult if not impossible to draw any clear line between preliminary conversations and the conciliation negotiations and for this reason the holding at Buenos Aires of both the preliminary conversations and the conciliation negotiations will make it possible for the former to merge into the latter without any discussion and further without the creation of any of the possible delay which the solution formerly favored by the Brazilian Government might involve. I have taken pleasure in communicating to the Argentine Ambassador here for the information of his Government the willingness of the Brazilian Government to hold the preliminary conversations at Buenos Aires and I have expressed the opinion that time was of the essence and that it was highly desirable that the conversations at Buenos Aires should commence at the earliest possible moment. I have also expressed the same views to the Governments of Chile and Peru.

I have this morning in accordance with the suggestion of the Brazilian Foreign Minister advised the Paraguayan Minister for the information of his Government that this Government believed that the Brazilian suggestion that preliminary conversations between the Foreign Ministers of the belligerents be held at Buenos Aires in the presence of the representatives of the mediating powers was an extremely valuable suggestion and that it met with the hearty approval of this Government.

While this Government shares the opinion of the Brazilian Government as to the desirability in the interest of a successful termination of the peace negotiations that a further proposal be advanced to the two belligerents urging an immediate truce, I believe that both the Brazilian Government and the United States must bear in mind the fact that having accepted the Argentine-Chilean invitation to participate in the peace negotiations and being therefore component parts of the mediating group, it would create controversy if the United States and Brazil alone joined in making this proposal to the belligerent nations. It is, therefore, believed that this proposal might more appropriately be made in the sessions of the conciliation commission to be installed at Buenos Aires and if the Brazilian Government will adopt this view and should it desire to advance this proposal in the sessions of the conciliation commission in Buenos Aires, the proposal will receive the warm support of the Government of the United States.

Please report by cable the result of your further conference with the Foreign Minister.

HULL

724.3415/4859a : Telegram

*The Secretary of State to the Chargé in Chile (Scotten)*³³

WASHINGTON, May 7, 1935—3 p. m.

28. Please obtain an interview at the earliest possible moment with the Minister for Foreign Affairs and inform Dr. Cruchaga³⁴ of the great satisfaction caused the United States by the cordial response of the Brazilian Government to the collective note and the gratification which has been caused this Government by the successful result of our cooperation with the Government of Chile in this regard. You may further state that this Government is now informed by the Government of Brazil of its belief that preliminary conversations in the presence of the representatives of the mediating powers between the Foreign Ministers of the two belligerent nations would be both useful

³³ The same, *mutatis mutandis*, May 7, 3 p. m., to the Chargé in Peru, as telegram No. 43.

³⁴ Miguel Cruchaga Tocornal, Chilean Minister for Foreign Affairs.

and desirable. The Brazilian Minister for Foreign Affairs has likewise informed this Government that he agrees with the view of the United States that it would be preferable to hold these preliminary conversations at Buenos Aires. The Department is not as yet informed whether the belligerent nations will be willing to adopt this proposal, but this Government believes that the suggestion has great practical value and would be glad to know the opinion of Dr. Cruchaga. You may further inform Dr. Cruchaga that I cannot see that any line can well be drawn between the suggested preliminary conversations and the conciliation conference and that consequently, if the belligerents accept the suggestion, the indicated preliminary conversations might well merge into the conciliation negotiations.

In any event, this Government believes it highly desirable that the representatives of the various mediating powers meet at the earliest possible moment in Buenos Aires in order to proceed with the task entrusted to them. This Government intends to send a special representative to take part in the peace negotiations at Buenos Aires and pending his arrival the American Chargé d'Affaires in Buenos Aires will be instructed to represent this Government.

In conclusion, you may say that this Government will welcome any suggestions which Dr. Cruchaga may care to make and would likewise be glad to know what his views may be with regard to the points mentioned above.

HULL

724.3415/4840 : Telegram

The Chargé in Chile (Scotten) to the Secretary of State

SANTIAGO, May 8, 1935—11 a. m.

[Received 11:45 a. m.]

55. Department's 28, May 7, 3 p. m. Cruchaga believes Department's telegram greatly clarifies the situation and he expresses unqualified approval of the entire telegram and acceptance of every suggestion contained therein. He stated he would confirm his approval by telegrams to the Chilean Ambassadors in Washington and Buenos Aires.

He explained that he had been worried lest the Brazilian Minister for Foreign Affairs should insist that the preliminary conversations be held at Rio de Janeiro as he was sure that Saavedra Lamas³⁵ would object to this procedure. Furthermore he is glad the Government of the United States will send a special representative as he understands that Bolivia is highly desirous that special representatives be sent instead of the several Ambassadors now stationed at Buenos Aires.

SCOTTEN

³⁵ Carlos Saavedra Lamas, Argentine Minister for Foreign Affairs.

724.3415/4842 : Telegram

The Chargé in Brazil (Gordon) to the Secretary of State

RIO DE JANEIRO, May 8, 1935—5 p.m.

[Received 6 p.m.]

125. Department's 82, May 6 [?], 2 p. m. Minister for Foreign Affairs was much pleased with the contents of your telegram. He quite understood your point of view as to the inadvisability of Brazil and the United States alone urging an immediate truce. However, he feels that the proposal should be made just as soon as the Foreign Ministers of the belligerents meet for their preliminary conversations in the presence of the representatives of the mediating powers without awaiting the sessions of the Conciliation Commission which may only take place a fortnight or more later. He feels that as the military situation is now more calm than it has been for some time if advantage is taken thereof the chances of the truce proposal being accepted will be greatly enhanced.

After seeing the Minister for Foreign Affairs I met the Secretary General of the Foreign Office who told me he was afraid that the Bolivians were going to make trouble. Yesterday evening he had seen the Bolivian Minister who told him that the Bolivian Government understood that Paraguay would insist that the conciliation negotiations should start completely *de novo* without connection with previous League recommendations or amendments thereof. The Bolivian Minister indicated that his Government was not willing to surrender its advantageous position vis-à-vis the League of Nations and to undertake conciliation discussions on such a basis. The Secretary General added that the information gathered from the Paraguayan Minister here and from the Brazilian Minister in Asunción was unfortunately to the effect that the Paraguayan Government does in fact insist that it has not accepted any definite formula for conciliation negotiations proposed by Argentina.

The Secretary General, who was definitely pessimistic, further stated that he had not yet learned that Chile and Argentina had pronounced themselves in favor of the direct preliminary conversations between the belligerent Foreign Ministers.

While the foregoing may sound somewhat astounding I am giving it to you just as the Secretary General gave it to me and trust that the matter can be clarified by you in direct conversations with the representatives in Washington of the countries concerned.

The Secretary General did admit that both Bolivia and Paraguay were still willing to have their Foreign Ministers engage in direct preliminary conversations. He added that he thought it was important for the mediating powers to have special representatives at-

tend these conversations rather than merely their accredited diplomatic representatives in Buenos Aires. The Brazilian Government is considering sending ex-President Epitacio Pessoa.

GORDON

724.3415/4845 : Telegram

The Chargé in Argentina (Cow) to the Secretary of State

BUENOS AIRES, May 9, 1935—9 p. m.

[Received 10:15 p. m.]

37. Embassy's 36, May 9, noon.³⁶ At meeting of Minister for Foreign Affairs, Brazilian, Chilean, and Peruvian Ambassadors and myself this afternoon, Saavedra Lamas stated that he was taking the initiative in advancing the organizing of the mediating group in view of repeated indications from La Paz and Washington urging haste, of impending meeting of League Consultative Committee and Assembly scheduled for May 16 and 20th respectively, and of favorable opportunity afforded by forthcoming visits here of Brazilian President and Bolivian Foreign Minister, the latter leaving La Paz for Buenos Aires on May 17. He also referred to exhaustion of Bolivia and Paraguay and present equilibrium of their armies as advantageous for speedy action.

Saavedra Lamas said that Argentina, Chile, and Peru were in full accord with the Brazilian suggestion that Uruguay be invited to join the mediating group and the United States of America the economic conference and that representatives present, even though meeting informally, could extend such invitations. Accordingly, it was agreed that he should be authorized to invite Uruguay in the name of all to attend a meeting Saturday afternoon at the Foreign Office for the purpose of definitely constituting herself a part of the mediating group. I said that while I had no instructions with regard to the present meeting I felt certain my Government would welcome Uruguay's inclusion. It was further proposed to invite the United States of America at the May 11th meeting to participate in the economic conference.

I inquired whether he planned the discussion of further points on Saturday. Saavedra Lamas stated that he considered the fundamental question was to obtain the cessation of hostilities as the first step towards a definite accord and that with the Bolivian Foreign Minister here it would be possible for the mediating group more effectively to bring Bolivia and Paraguay together on this essential requirement. The view was advanced that if cessation of hostilities

³⁶ Not printed.

could thus be obtained the League would postpone any further action and leave the American states to settle the problem.

Saavedra Lamas also remarked that Bolivia had suggested the inclusion of Mexico in the mediation, that he personally had no objection but that such a step would probably lead to further requests and it was vital to limit size of group.

Cox

724.3415/4843 : Telegram

The Chargé in Peru (Dreyfus) to the Secretary of State

LIMA, May 9, 1935—10 p. m.

[Received May 9—2:51 a. m.]

59. Department's telegram No. 43, May 7, 3 p. m.³⁷ Chaco. I called on the Minister for Foreign Affairs³⁸ today and he informed me that he had been approached 2 days ago by the Brazilian Ambassador who informed him that the Bolivian Government had made the suggestion to the Brazilian Government that the preliminary meeting of the Foreign Ministers of Bolivia and Paraguay be held at Rio de Janeiro prior to the joint meeting at Buenos Aires and his friends wished to know Peru's attitude thereon. Dr. Concha's reply to the Brazilian Ambassador was that he accepted this suggestion on the condition that it was to be quite a distinct meeting from the one at Buenos Aires proposed by the League of Nations.

After I had communicated to Dr. Concha the contents of the Department's telegram, he said he was glad to agree to this suggestion to have the preliminary conversations at Buenos Aires especially as it concerts with the plan of the League and he felt also that the preliminary conversations might well merge into the conciliation negotiations. He added that he felt it is desirable that the meeting be held at the earliest possible moment and that he favored having Uruguay amongst the conciliators.

Dr. Concha stated that he had been requested by Bolivia to have Mexico included in the group of mediators on the ground that this would help to offset the inclusion of Uruguay which Bolivia feels favors Paraguay. Dr. Concha said that his reply had been that he would be willing to have Mexico included in case it is decided to enlarge the group. He made an effort to leave it quite clear that he had not engaged himself in any way to support the suggestion that Mexico be included, stressing that he was not in favor of including Mexico or any other government unless a decision is reached to in-

³⁷ See footnote 33, p. 50.

³⁸ Carlos Concha.

crease the group. He said that he is about to send a circular telegram to the governments concerned to make the point clear to them.

Dr. Concha said it has not been determined who will represent Peru but he does not feel that a special delegate will be appointed. He mentioned that Chile had included Nieto who is an expert on the Chaco as delegate to the Pan-American Commercial Conference³⁹ apparently to have him ready at Buenos Aires for possible Chaco negotiations.

DREYFUS

724.3415/4845 : Telegram

The Secretary of State to the Chargé in Argentina (Cox)

WASHINGTON, May 10, 1935—8 p. m.

41. Your 37, May 9, 9 p. m. At the meeting of the mediation commission scheduled to take place tomorrow, Saturday afternoon, once the inclusion of Uruguay is proposed, you may state that the proposal has the hearty support of your Government. If it is determined to invite this Government to participate in the proposed Economic Conference you may state that you will take pleasure in transmitting the invitation to your Government.

Paragraph 2. The Government of Bolivia, through its Minister in Washington, and the Government of Peru, through the Peruvian Ambassador here, have expressed their desire that Mexico be invited to be represented in the mediation commission. If this proposal is made in tomorrow's session of the commission, you may state that your Government would, of course, be glad to support the proposal; that, however, if states additional to those originally invited by Argentina and Chile to join in the negotiations are to be requested to participate, it would seem desirable so far as might be possible that some guiding principle be adopted with regard to the question and that the Government of the United States desires to propose the desirability of adopting the precedent established during earlier negotiations and that the earlier group of nine be reconstituted, namely, the four neighboring states—Argentina, Brazil, Chile, and Peru—and the five members of the original commission of neutrals, namely, the United States, Mexico, Uruguay, Colombia, and Cuba. If Mexico were now invited to participate and Colombia and Cuba were omitted, considerable resentment might be occasioned the two latter countries because of their helpful and cooperative participa-

³⁹ See Department of State Conference Series No. 22: *Report of the Delegates of the United States of America to the Pan American Commercial Conference Held at Buenos Aires, May 26-June 19, 1935* (Washington, Government Printing Office, 1936).

tion in the past and, furthermore, if no precedent is followed and the matter of invitations is not governed by some recognized principle, the question of the inclusion of additional states may give rise to protracted discussion at a moment when rapid action seems imperative.

Paragraph 3. Finally, it is understood that the Government of Brazil will suggest that the Ministers for Foreign Affairs of the two belligerents be invited to attend the conversations at Buenos Aires. If this proposal is made, you should state on behalf of your Government that the proposal meets with its hearty support.

If the question of cessation of hostilities is raised in the discussion, you may state that in the opinion of your Government, any action to be taken by the mediation commission in that regard might more appropriately and effectively be taken after the Ministers for Foreign Affairs of Paraguay and Bolivia are present at the meetings of the commission.

Should any other questions of importance be taken up at tomorrow's session, you should request an opportunity for obtaining the opinion of your Government concerning them before making any commitment.

Please cable detailed report of Saturday's session.

HULL

724.3415/4853 : Telegram

The Chargé in Argentina (Cox) to the Secretary of State

BUENOS AIRES, May 11, 1935—10 p. m.

[Received May 12—12:56 a. m.]

39. Department's 41, May 10, 8 p. m.

1. At meeting today the Brazilian, Chilean, Peruvian Ambassadors, the Minister for Foreign Affairs and I were present, the Minister read his note to the Uruguayan Ambassador inviting Uruguay in the name of those at the May 9 meeting to participate in the mediating group and the latter's acceptance. The Uruguayan Ambassador then joined us. It was determined to invite the United States to participate in the economic conference and the Minister for Foreign Affairs will address a note to me to this effect.

2. Peruvian Ambassador pointed out the necessity that these discussions should be strictly confidential. He read a United Press report from Santiago published here to the effect that Chile supported Mexican inclusion in the mediating group while Peru opposed it, as well as a statement reserving Peru's right if she deemed it necessary to indicate publicly her favorable attitude towards inviting Mexico to join. He proposed, and it was agreed, that the Argentine For-

eign Office should prepare in the future a minute of each meeting for distribution to those present. As the question of Mexican participation was then dropped and not later referred to during today's conversations I did not think it opportune at this time to give your views on this point as contained in paragraph 2 of Department's 41.

3. The Minister for Foreign Affairs stated that Chile considered the consultations already undertaken by Argentina and Chile vis-à-vis Paraguay and Bolivia respectively should be taken as a basis for the mediating Governments' discussions. He remarked that the Argentine and Chilean soundings had entailed much work and that he was in agreement with Chile on this point, save whatever modifications might later be found necessary of introduction.

4. Chilean Ambassador stated that according to his Government today's meeting was not of a formal character being called for the purpose of constituting the Commission with the inclusion of Uruguay and for that reason no definite decisions should be taken.

5. The Minister for Foreign Affairs, Brazilian and Peruvian Ambassadors, nevertheless emphasized the desirability of immediately inviting the Bolivian and Paraguayan Foreign Ministers to come to Buenos Aires to give the latter an opportunity for direct discussions. After the Chilean Ambassador had obtained his Government's approval by telephone Saavedra Lamas prepared identic telegrams addressed to the Paraguayan and Bolivian Foreign Ministers for the signature of those attending today's meeting. These telegrams in translation are as follows:

"The undersigned meeting today in the Argentine Foreign Office for the purpose of furthering an effort towards peace with respect to the Chaco conflict have the honor to inform Your Excellency that they have unanimously agreed that the presence in Buenos Aires of Their Excellencies the Ministers for Foreign Affairs of Paraguay and Bolivia would be of the greatest convenience in order to correct the obstacles of time and geographic distance which otherwise could handicap the aims which all have at heart. Your Excellency will doubtless appreciate the noble object inspiring this joint request which we submit to your high judgment. Accept, et cetera".

In view of paragraph 3 of Department's 41 I have joined in signing these telegrams.

6. Minister for Foreign Affairs has called a further meeting for May 15 [14],^{39a} 6 p. m., for the purpose of studying the documents connected with the Argentine-Chilean peace consultations with Bolivia and Paraguay.

Cox

^{39a} For correction of this date, see telegram No. 44, May 16, noon, from the Chargé in Argentina, p. 60.

724.3415/4853 : Telegram

The Secretary of State to the Chargé in Argentina (Cox)

WASHINGTON, May 14, 1935—4 p. m.

44. Your 39, May 11, 10 p. m. The action taken by you during the last session of the mediation commission is approved.

With regard to the question of Mexican participation, the Argentine Ambassador yesterday showed me a cable received from his Foreign Minister stating that the Argentine Government believed that the number of states represented in the mediation commission should not be increased and that he had learned that this was the view of Dr. Elio, the Bolivian Foreign Minister.

The Bolivian Minister in Washington yesterday, however, by instruction of his Government stated that the Bolivian Government considered the inclusion of Mexico in the mediation commission a fundamental question and that the Bolivian Government would address a communication to the mediation commission in that sense. Should the matter, therefore, be brought up in tomorrow's session, you should be guided by the instructions contained in the Department's 41, May 10, 8 p. m. You should, of course, make it entirely clear that while this Government concurs in the belief that for practical reasons a limitation of the states participating in the mediation commission to the present number might be desirable, and that greater efficiency in the work of the commission may be attained by a reduced number of mediators, nevertheless if Bolivia insists upon the participation of Mexico, this Government while supporting the proposal likewise feels it necessary to make the suggestions contained in its instruction to you above referred to.

With reference to Paragraph 6 of your cable above mentioned if the study of the documents connected with the Argentine-Chilean peace negotiations involves consideration of the so-called pacts of honor or pacts of security proposed as a result of the Chilean-Bolivian consultation, it is particularly desirable that you refrain from indicating any intention on the part of this Government to become a signatory of such pacts. For your confidential information, the Department has reason to believe that both the Argentine Government and the Brazilian Government would be reluctant to enter into any such commitments as those proposed in these pacts and it would be preferable that this Government's unwillingness to adhere to any pacts such as these which contain the implied obligation to use force should it be necessary to do so in order to comply with the guaranties comprised in these pacts should not be made known until after the views of the Argentine and Brazilian Governments have been made clear in the course of the discussions. For that reason, should you be requested to express the views of your Government

concerning the proposed pacts, you may say that you have not received instructions in the matter and that you will have to obtain the views of your Government before making any reply.

Please continue to report upon each session of the commission in the same full detail as in your cable under reference.

HULL

724.3415/4864 : Telegram

The Chargé in Argentina (Coo) to the Secretary of State

BUENOS AIRES, May 14, 1935—9 p. m.

[Received 11 p. m.]

41. Embassy's 39, May 11, 10 p. m., confidential.

1. At Chaco meeting today the same representatives were present. Minister for Foreign Affairs read telegram received from Paraguayan Foreign Minister accepting invitation to come to Buenos Aires as well as a telegram received from Bolivian Foreign Minister from Bolivian general headquarters stating that Elio, upon his early return to La Paz to consult President, would give a formal reply immediately. He also read telegram just received from the Argentine Minister in La Paz reporting that latter had been assured Bolivia's reply would be forthcoming today or tomorrow.

2. Minister for Foreign Affairs read a second telegram from Bolivian Minister for Foreign Affairs stating that Foreign Ministers of Argentina, Brazil, Chile, the United States and Peru had indicated that they would view with pleasure Mexican inclusion in the mediating group and suggesting to the group convenience of extending such invitation officially to Mexico. I informed those present of your views concerning this question contained in paragraph 2 Department's telegram No. 41, May 10, 8 p. m.

There ensued a lengthy discussion, to which I listened, concerning the possible consequences were the mediating group so augmented as to become practically a pan-American conference. The question of Mexican inclusion is being referred by the Ambassadors present to their Governments.

3. Another meeting has been called for May 16, 6 p. m. by which time it is hoped that the Bolivian reply to the invitation will have arrived. Consideration was given to the advisability, if the Bolivian Foreign Minister has not replied by Thursday evening, of the mediating group sending him a further telegram expressing hope for a prompt reply and stating that the question of Mexican inclusion is under consideration.

Please instruct on this latter point.

Cox

724.3415/4864 : Telegram

The Secretary of State to the Chargé in Argentina (Cox)

WASHINGTON, May 15, 1935—6 p. m.

45. Your 39, May 11, 10 p. m., last paragraph, stated that next meeting of commission would take place May 15, 6 p. m. Your cable 41, May 14, 9 p. m., refers to meeting held last night, May 14th. Instructions sent you in Department's 44, May 14, 4 p. m., were, of course, intended for use at this meeting.

The views of this Government regarding the inclusion of Mexico have already been fully expressed to you. In view of the opinion expressed to the Department by the Bolivian Government that it considers the inclusion of Mexico a fundamental question, it would seem highly desirable that discussion on this point should not be permitted to delay proceedings at this time.

Consequently, when further consideration is given to this question in the next session, you may say, in presenting once more the views of this Government, that in the belief of the Government of the United States were the original Committee of Nine to be reconstituted a satisfactory adjustment of the question of the membership of the mediation commission would be arrived at; the desire of the Bolivian Government would be met; and no further reason could then apparently be advanced by Bolivia for postponing her official reply to the invitation extended by the commission. This Government strongly believes that the all important question at this moment is the facilitation of direct discussions between the Foreign Ministers of the belligerent nations in the presence of members of the mediation commission in Buenos Aires and that every effort should consequently be exerted to achieve that result at the first possible moment.

HULL

724.3415/4866 : Telegram

The Chargé in Argentina (Cox) to the Secretary of State

BUENOS AIRES, May 16, 1935—noon.

[Received 1 p. m.]

44. Department's 45, May 15, 6 p. m. Date of May 14, 6 p. m., for commission meeting given in my 39, May 11, 10 a. m. [*p. m.*] correctly coded and typed for cable company.

Minister for Foreign Affairs has postponed today's meeting until May 17, 5 p. m., at which time your views regarding membership of commission will be again fully presented.

Cox

724.3415/4877 : Telegram

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

BUENOS AIRES, May 17, 1935—9 p. m.

[Received 11:08 p. m.]

46. Preceding meeting of the Chaco group this afternoon I presented Braden⁴⁰ to the Minister for Foreign Affairs. In the conversation which followed Saavedra Lamas three times told us textually "Chile does not desire the success of the conference". He earnestly advocated keeping the mediating group as small as possible fearing otherwise an unwieldy body and barren results.

At the commission meeting to which I was accompanied by Cox the Minister for Foreign Affairs read a telegram from the Minister of Foreign Affairs of Bolivia accepting unreservedly the invitation to come to Buenos Aires, the message adding that Elio and a large staff would leave La Paz on May 22 for Buenos Aires due to arrive here the 25th. Saavedra Lamas said he was informing the Paraguayan Minister for Foreign Affairs of the foregoing who is ready to leave Asunción for Buenos Aires immediately. Today's discussion concerned principally the drafting of a reply to the telegram addressed to the mediation group by the Minister for Foreign Affairs of Bolivia, mentioned in second paragraph of Embassy's telegram 41 of May 14, 9 p. m., it being finally decided that in view of Bolivia's unconditional acceptance a reply be sent stating that his suggestion for the enlargement of the group would receive the most earnest consideration. Previously Saavedra Lamas had stated that the Minister of Paraguay here had spoken to him at length against the idea of including Mexico in the mediating group drawing the inference that if Bolivia insisted on this Paraguay would wish to propose an additional member. The unanimous opinion of the group to whom your ideas on this point had been made known was against increasing the number of mediators if it could possibly be avoided. No discussion has yet occurred of documents pertaining to Argentine-Chilean peace negotiations.

No date was fixed for the next meeting.

WEDDELL

724.3415/4879 : Telegram

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

BUENOS AIRES, May 18, 1935—10 a. m.

[Received 11:45 a. m.]

47. First paragraph Embassy's 39, May 11, 10 p. m. I am in receipt of a note dated yesterday, signed by the Minister for Foreign

⁴⁰ Spruille Braden, U. S. delegate to the Pan American Commercial Conference.

Affairs and the Brazilian, Uruguayan, Peruvian and Chilean Ambassadors, in the name of their Governments, with request that it be transmitted to my Government which states "that they consider of the greatest importance the collaboration of the Government of the United States in the economic conference which it is planned to constitute in order to study at the proper time the transit system between Bolivia and Paraguay, as well as the regional agreements intended to encourage the development and any other economic measure for the reconstruction and progress of both countries".

WEDDELL

724.3415/4881a : Telegram

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

WASHINGTON, May 18, 1935—noon.

48. Personal. The President has designated Ambassador Gibson⁴¹ as the American representative on the mediation commission. We wish you to understand that the designation of Mr. Gibson was made solely because of our belief that it would be desirable not to have our representative on the commission accredited at the same time to the Argentine Government. I am sure you will realize that the designation of Ambassador Gibson in no way implies any failure on our part to recognize the effective work in the Chaco negotiations which you have performed for this Government. It is understood that both the Chilean and Brazilian Governments will likewise designate special representatives to represent them on the commission.

HULL

724.3415/4879 : Telegram

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

WASHINGTON, May 20, 1935—1 p. m.

51. Your 47, May 18, 10 a. m. You may address a note to the signers of the note received by you and hand it to the Minister for Foreign Affairs at the next meeting of the Mediation Commission and state therein that should it be determined as the result of the present negotiations to hold an economic conference to study "the transit system between Bolivia and Paraguay" as well as "economic measures for the reconstruction and progress of both countries" and should both Bolivia and Paraguay desire the participation of the United States in such a conference, the Government of the United

⁴¹ Hugh S. Gibson, Ambassador in Brazil.

States will be pleased to accept such invitation and to designate a representative to take part therein.

For your confidential information and not for discussion at this time, if the proposed economic conference takes place the practical results of such a conference would seem to depend upon the nature of the "regional agreements" which may be negotiated. These regional agreements necessarily would be between the belligerents and between the belligerents and the neighboring states. The desire of the Brazilian Government to have the United States represented is because of Brazil's belief that the United States would necessarily be an impartial and disinterested participant and it is solely because of this fact and because of the belief of this Government that its participation may be helpful along these lines that the Department is willing to accept the invitation. It would, of course, be impossible for this Government to become a signatory to any "regional agreements" of the character proposed and for that reason any reference to "regional agreements" in your reply to the invitation extended should be omitted.

HULL

724.3415/4897 : Telegram

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

BUENOS AIRES, May 22, 1935—11 a. m.

[Received 2:10 p. m.]

50. At mediation group meeting yesterday afternoon Minister for Foreign Affairs pointed out possibility that forthcoming visit of Bolivian and Paraguayan Foreign Ministers would be of short duration and that mediation group's discussions of importance could be considered as a continuation of the exploratory conversations. The discussion turned on modifications of League plan proposed by Paraguay and Bolivia, the general sentiment being that cessation of hostilities was a primary object and that the determination of war responsibility, a Paraguayan objective to which Bolivia now agreed, was a fit subject for the Hague Tribunal.

After an extended discussion concerning procedure at meetings with the Paraguayan and Bolivian Ministers for Foreign Affairs it was agreed to invite them together for an informal noncontroversial meeting to be followed by separate meetings to sift out points upon which no disagreement exists and to ascertain if possible the minimum requirements on controversial issues. If progress made, the latter meetings might be followed by others at which both Foreign Ministers would again be present.

Nieto del Río of Chilean Foreign Office who acted for Chile in obtaining Bolivian counter-proposals was present. He has privately mentioned that the Bolivian authorities wish no one who has been associated with Argentine Minister for Foreign Affairs in the previous Chaco discussions to participate in the approaching mediation efforts.

During rereading of Paraguayan and Bolivian proposed modifications Minister of Foreign Affairs again said, with regard to suggested pacts of honor, that Argentina could give only a moral guarantee but that he felt this was not a fundamental issue whereupon Nieto remarked that in his discussions at La Paz he found that Bolivians attached much importance to these pacts as a guarantee against renewal of hostilities.

I informed mediation group of Gibson's appointment and also delivered note in accordance with the Department's telegram No. 51 of May 20, 1 p. m.

I today called on Paraguayan Minister for Foreign Affairs with the other members of the mediation group. Bolivian Minister for Foreign Affairs arrives May 25th.

WEDDELL

724.3415/4905 : Telegram

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

BUENOS AIRES, May 27, 1935—9 p. m.

[Received 10:15 p. m.]

55. At a meeting of the mediation group this evening at which Brazilian Minister for Foreign Affairs was present, the Ministers for Foreign Affairs of Bolivia and Paraguay appeared separately and were informed that following a suggestion of the Brazilian Foreign Secretary the opinion of the commission was that peace negotiations could only proceed if hostilities were momentarily suspended, three steps being indicated: (1st) a truce to last during the stay of the Ministers for Foreign Affairs of Bolivia and Paraguay in Buenos Aires; (2d) within this interim plans to be made looking to an armistice; (3d) negotiations to continue during this second interim looking to definitive cessation of hostilities. It was suggested that the truce begin on Wednesday May 29th at 12 noon.

The Ministers of Foreign Affairs of Bolivia and Paraguay each agreed to lay this proposal before his Government and to inform the commission which is now considered as in permanent session immediately replies are received.

WEDDELL

724.3415/4911: Telegram

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

BUENOS AIRES, May 29, 1935—4 p. m.

[Received 8:20 p. m.]

57. At Chaco mediation group meeting this morning Argentine Minister for Foreign Affairs submitted reply from the Paraguayan Government accepting in principle truce proposal reported in my 55, May 27, 9 p. m. Paraguayan Minister for Foreign Affairs requested, however, that this be considered as informal and unofficial pending receipt of reply from Bolivia.

Paraguayan reply may be summarized as follows:

(1st) Paraguay accepts immediate cessation of hostilities on a *status quo* basis.

(2d) However, since present positions of the armies are not clearly determined, incidents are likely to arise.

(3d) Paraguay suggests the signing tomorrow or as early as possible of a compromise with the following clauses: (a) An 8-day armistice to begin from the day and hour on which a commission of military experts is ready to proceed to the Chaco to fix line intermediary between the two belligerents. (b) Hostilities will cease as soon as military commission advises the two commands of the *status quo* line traced. (c) Belligerents pledge themselves solemnly before the mediation group to observe *status quo* line and the mediation group will be authorized on their own initiative or at the request of either party to watch over the strict observance of this obligation.

(4th) The mediation will then proceed at once toward the negotiation of a convention of reciprocal security and of guarantees to put an end to the conflict.

(5th) The neutral military commission will enter Chaco with the cooperation of the two commands and as soon as possible the lines will be fixed by agreement between the belligerents.

Dr. Saavedra Lamas stated that while no reply had been received from the Bolivian Government, the Bolivian Minister for Foreign Affairs had communicated his views concerning the truce, observations which the Argentine Minister for Foreign Affairs summarized as follows:

- (1) A 30-days truce prolongable by agreement of both parties.
- (2) The observance of this truce to be supervised by military officers chosen by the mediation group.
- (3) The observance of the principles laid down in the declaration of August 3rd, 1932.⁴²
- (4) The mediation group to proceed at once with negotiations looking to agreement or arbitration.

⁴² *Foreign Relations*, 1932, vol. v, p. 159.

The Bolivian Minister for Foreign Affairs informed the mediation group that he would endeavor promptly to secure a reply from his Government concerning the proposed truce, it being pointed out to him that the commission could not well proceed until this was received.

Since both Paraguay and Bolivia seem in agreement concerning the despatch of a neutral mediation commission in connection with cessation of hostilities please instruct on this point.

WEDDELL

724.3415/4912: Telegram

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

BUENOS AIRES, May 30, 1935—6 p. m.

[Received 8:20 p. m.]

58. Last night Foreign Ministers of Brazil and Argentina handed to Bolivian and Paraguayan Foreign Ministers for transmission to their Governments a suggested substitute truce formula to be signed by Elfo ⁴³ and Riart ⁴⁴ if acceptable, representing an attempt to harmonize the views thus far communicated by these latter representatives. Translation is as follows:

Section I.

(a) Direct negotiations will be carried on by the Chancellors of the belligerent countries, in the presence of the mediators.

(b) Within 10 days, His Excellency the President of the Argentine Nation will convene the Peace Conference in order solemnly to ratify the result of the direct negotiations or, in the event of their failure, to organize arbitration with a view to obtaining peace.

Section II. The position of the conflicting armies will be fixed as follows:

(a) A 12-days' armistice will be agreed upon in order that a neutral military commission, formed by representatives of the mediators and of the belligerents, may fix intermediate lines between the positions of the belligerents, having in view the maintenance of the armies at minimum sacrifice on the part of the belligerent governments and nations.

(b) The Neutral Military Commission will exercise vigilance in order that the lines of the positions established be maintained, and it will decide as regards the modifications which the experience of those lines may make advisable.

(c) The time limit indicated under letter (a) having elapsed, the Peace Conference will decide concerning its extension.

Section III. The declaration of August 3, 1932 is recognized by the belligerents.

⁴³ Tomás Manuel Elfo, Bolivian Minister for Foreign Affairs.

⁴⁴ Luis A. Riart, Paraguayan Minister for Foreign Affairs.

Section IV. The direct negotiations shall begin by determining the conditions and guarantees necessary to reach the definitive cessation of hostilities.

Section V. Complying with the humane sentiments of the mediators and the belligerents, firing will be suspended within (blank).

At Commission meeting this afternoon Bolivian Foreign Minister read a reply from his Government largely accepting above formula but containing certain modifications. Following this Paraguayan Foreign Minister advised that he was without reply from his Government but would immediately press for an answer.

WEDDELL

724.3415/4912 : Telegram

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

WASHINGTON, May 31, 1935—2 p. m.

62. Your 57, May 29, 4 p. m. and 58, May 30, 6 p. m. If and when a truce formula is officially accepted by the Governments of Paraguay and Bolivia, and such acceptance is communicated to the Mediation Commission, you may inform the Commission that the Military Attaché of your Embassy, Captain Sharp, will be delegated to represent the United States on the Commission of military experts to proceed to the Chaco.

It, of course, seems highly desirable that lines of procedure for the members of the Neutral Military Commission be laid down in advance by the Mediation Commission in order that should any divergency of opinion occur during the time in which the Neutral Military Commission is carrying out its duties, such divergencies can be governed according to rules of procedure laid down beforehand.

Should a truce formula be agreed upon, you are instructed to express to the Mediation Commission, in the name of your Government, its keen satisfaction at this most encouraging development, and that it hopes that this first step will lead to the definitive pacific solution which the entire continent is waiting for.

HULL

724.3415/4920 : Telegram

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

BUENOS AIRES, June 1, 1935—8 p. m.

[Received June 2—1:34 a. m.]

59. My 58, May 30, 6 p. m. At Commission meeting last night there was submitted to Bolivian and Paraguayan Foreign Ministers for

their signature, if approved, a second formula drafted by the Brazilian Foreign Secretary amplifying formula reported in my 58. At meeting this afternoon Bolivian Minister for Foreign Affairs informed the Commission of his Government's acceptance thereof with only minor changes. Paraguayan Foreign Minister, however, demanded, as fundamental, guarantees for the definite cessation of hostilities to take effect prior to settling territorial differences by direct negotiations or failing latter by an arbitration to be organized by the peace conference. Guarantees demanded were demobilization, reduction of effectives, agreement against new purchases of war material and execution of a nonaggression pact between the two belligerents.

Bolivian Foreign Minister refused to accept the Paraguayan demands, insisting that at least a definite arbitration agreement must be concluded before Bolivia could demobilize. Attempts are being made to reconcile these seriously conflicting views through a compromise formula providing for the immediate convoking of the peace conference for the purpose of ratifying the result of Bolivian-Paraguayan direct negotiations, should they take place, or in the event of a failure of these negotiations, of fixing simultaneously guarantees looking to the suspension of hostilities and of organizing arbitration.

WEDDELL

724.3415/4926 : Telegram

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

BUENOS AIRES, June 3, 1935—9 p. m.

[Received June 4—1:18 a. m.]

61. At Commission meeting today in reply to direct inquiry Bolivian Foreign Minister stated that he would accept guarantees demanded by Paraguay listed in paragraph 1 of my 59, June 1, 8 p. m., provided Paraguay would formally agree to submit Chaco dispute for arbitration to Hague Tribunal, failing success of direct negotiations.

The Bolivian offer was then made known to the Paraguayan Foreign Minister who is telephoning President Ayala and expects to give Paraguayan Government's answer at Commission meeting at 10 tomorrow morning.

If this answer is favorable both parties will meet with the mediating group tomorrow afternoon to sign, together with the members of the mediating group as witnesses, the agreement between the two Governments.

The translation of this agreement as at present drafted is as follows:

Article I, section (a), as given in my 58, May 30, 6 p. m.; Article I, section (b) as follows:

His Excellency, President of the Argentine Nation, at the request of the mediating group will deign graciously to convene immediately the Peace Conference in order solemnly to ratify the result of direct negotiations or in the event of their failure to organize the juridical arbitration (*arbitraje de derecho*); in the latter event the case will be submitted for arbitration to the Permanent Court of International Justice at The Hague.

Article II. The position of the conflicting armies will be fixed as follows:

Section (a). A 12-days' armistice will be agreed upon in order that a neutral military commission formed by representatives of the mediating nations and belligerents may fix intermediate lines between positions of the belligerents having in view that the belligerent armies remain in their positions as of the date and hour on which the truce goes into effect.

Section (b), same as given in my number 58.

Section (c). The time limit of the truce having elapsed the mediating group or the Peace Conference will decide concerning its prolongation for blank days, bearing in mind the reasons which may be advanced concerning its expediency by the commanding officers of the belligerent armies.

Article III, same as in my 58.

Article IV. The direct negotiations will begin by determining conditions and guarantees necessary to reach suspension of hostilities. These assurances consist of, first, demobilization of the belligerent armies according to the terms and in the manner indicated by the military experts after hearing both belligerents; second, reduction of military effectives to a maximum figure which must not be exceeded; third, an agreement not to make new purchases of war material except for necessary replacements; fourth, a solemn pact of nonaggression signed by the belligerents engaging their honor before the mediators.

The conditions and guarantees referred to in this clause having been agreed upon, the neutral military commission provided for in section (a) of article II will proceed at the earliest possible moment to the scene of military operations to make them effective. Once the foregoing has been accomplished the territorial difference shall be settled or if this be not possible in the direct negotiations between the Foreign Ministers, by means of the stipulation for the juridical arbitration referred to in section (b) of article I.

Article V as in my 58.

724.3415/4928 : Telegram

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

LA PAZ, June 4, 1935—5 p. m.

[Received 5:55 p. m.]

32. Foreign Minister informs me that Bolivia fully accepted this afternoon third proposal of the mediators with modification that there be definite commitment by both parties agreeing to arbitrate should direct negotiations not succeed. He hopes for United States support of such commitment.

Repeated to Buenos Aires.

DES PORTES

724.3415/4929 : Telegram

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

BUENOS AIRES, June 4, 1935—6 p. m.

[Received 7:35 p. m.]

62. At two meetings held today it developed that certain changes in the formula reported in my 61, June 3, 9 p. m., will be required to meet the views of the Bolivian and Paraguayan Foreign Secretaries.

The former desires to fix some definite time limit within which the military commission shall carry out its duties as outlined in article IV of the formula, to the end there be no delay in proceeding with the arbitration if direct negotiations fail.

The Paraguayan desires the use of the present rather than the future tense in the language of the formula as giving it greater actuality.

Neither Minister for Foreign Affairs appears to be clothed with full powers and both are still requesting answers from their respective Governments to be communicated at meetings to be held tomorrow.

If and when signed, the prompt submission of the agreement to the Paraguayan and Bolivian Congresses is contemplated.

WEDDELL

724.3415/4931 : Telegram

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

WASHINGTON, June 5, 1935.

I have the honor to acknowledge the receipt of Your Excellency's most gratifying cabled invitation of yesterday's date ⁴⁵ personally to collaborate in the negotiations for the pacification of the Chaco either

⁴⁵ Not printed.

immediately or when the peace conference is called. I wish indeed that it were possible for me to accept this invitation and thus enjoy the privilege of cooperating personally with Your Excellency and my colleagues the Foreign Ministers of Brazil, Chile, Peru, and Uruguay, in this great enterprise to which the attention of the entire continent is now directed. Unfortunately, much as I regret it, the many pressing obligations of my duties here make it impossible for me now to leave Washington. I cannot let this occasion pass without expressing my personal regret at my inability to take part in the task now before the representatives of the mediating countries at Buenos Aires.

I renew to Your Excellency the assurances of my highest consideration.

CORDELL HULL

724.3415/4933 : Telegram

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

BUENOS AIRES, June 5, 1935—7 p. m.

[Received 10:25 p. m.]

64. At Commission meeting today the Bolivian Minister for Foreign Affairs submitted what he stated was an acceptance in its general lines of the formula reported in my 61, June 3, 9 p. m., but containing several new conditions. The Bolivian counter formula provides for the inclusion of the old neutral commission group and also Venezuela and Ecuador as members of the Peace Conference. It also stipulates that the Congresses of Bolivia and Paraguay ratify the agreement within 20 days of its signature.

Under section (c) article II the prolongation of the armistice cannot exceed 30 days.

Article IV contains a new section providing for the exchange of prisoners and fixing the military effectives of each country at not to exceed 6,000 men. What is considered by members of the Commission to be serious Bolivian stipulation relates to the necessity of establishing terms of the arbitration before military commission should proceed to front to make effective conditions and guarantees demanded by Paraguay.

At the moment there is a measure of pessimism due to the existing difficulty of obtaining simultaneity in the matter of arbitration demanded by Bolivia and the guarantees in connection with the cessation of hostilities demanded by Paraguay, upon the solution of which question, in my opinion, the conclusion of the agreement now contemplated hinges.

Further meetings tomorrow.

WEDDELL

724.3415/4933 : Telegram

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

WASHINGTON, June 6, 1935—7 p. m.

65. Your 64, June 5, 7 p. m. The Argentine Ambassador this morning communicated to the Department a long message from Dr. Saavedra Lamas indicating his fear that the mediation proceedings were likely immediately to break down. The Ambassador was requested to advise Dr. Saavedra Lamas that this Government was disposed as always to exert its utmost endeavors to facilitate the successful conclusion of the negotiations now taking place in Buenos Aires and in view of the impasse which has apparently momentarily arisen, it might be desirable for the Chairman of the Commission to suggest that a brief adjournment of the proceedings be held to permit the arrival both of Gibson and of Dr. Cruchaga who the Department is informed intends to proceed immediately to Buenos Aires. Instructions have been cabled to Gibson immediately upon his arrival in Rio de Janeiro to proceed by airplane.

So far as can be ascertained from your cable under reference and from a communication made to the Department by the Bolivian Minister by instruction of his Government, the crux of the present controversy appears to center about the amendment suggested by Bolivia for addition to Section B of Article I of the formula which, according to the Bolivian Minister, is as follows: "If the peace conference should not succeed in providing for arbitration within the period fixed, the question in all of its aspects will pass, *ipso facto*, to the Permanent Court of International Justice at The Hague for juridical arbitration." The Bolivian Minister made it very clear that the other modifications to the formula reported in your number 64 are believed by Bolivia to be logical and desirable for purposes of clarification but are not fundamental.

It is of course clear, as stated in the message to the Department from Dr. Saavedra Lamas communicated through the Argentine Ambassador today, that if Bolivia insists upon pressing this amendment in the form proposed, the result would be a breakdown of the negotiations inasmuch as Paraguay from the outset of the Chaco dispute has been unwilling officially and publicly to agree to include the Hayes Zone⁴⁶ within the scope of arbitration. There would consequently appear to be no means of conciliating the two divergent points of view except through an agreement on the part of both belligerents to permit the peace conference, i. e., the mediating powers, to fix the

⁴⁶ For text of the Hayes award, November 12, 1878, see *Foreign Relations*, 1878, p. 711.

arbitral submission in the event that direct negotiations fail within a specified period to produce a satisfactory conclusion. In this regard the wording of Section B, Article I is not altogether clear and you are requested to cable the Department immediately whether it was the intention of the Mediation Commission in employing the final clause of Section B, Article I, as it now stands, viz., "In the latter event the case will be submitted for arbitration to the Permanent Court of International Justice at The Hague" to imply that "in the event of the" peace conference's "failure to organize the juridical arbitration" by agreement with the belligerents, the submission to arbitration would be undertaken by the peace conference itself.

HULL

724.3415/4943 : Telegram

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

BUENOS AIRES, June 9, 1935—noon.

[Received 6:10 p. m.]

71. My cable June 9, 4 a. m.⁴⁷ Following is translation of articles of *ad referendum* agreement reached this morning between Bolivian and Paraguayan Minister for Foreign Affairs:⁴⁸

Article I.

To request the mediating group kindly to beg His Excellency, the President of the Argentine nation, immediately to convene the Peace Conference for the following purposes:

(1st) Solemnly to ratify the present pact.

(2d) To settle the practical questions which may arise in the execution of the measures of security adopted for the cessation of hostilities.

(3d) To promote the settling of differences between Bolivia and Paraguay by direct agreement between the parties; it being understood that, should the direct negotiations fail, Bolivia and Paraguay assume through this pact the obligation to settle the Chaco dispute by means of juridical arbitration, forthwith designating the Permanent Court of International Justice of The Hague as arbitrator.

The Peace Conference will terminate the direct negotiations when in its opinion the moment should have arrived to declare the impossibility of reaching thereby a definite solution; in this event, it will proceed to the question of an arbitral compromise to be concluded between the parties, the Peace Conference being unable to terminate

⁴⁷ Not printed.

⁴⁸ For slightly different translation, see *The Chaco Peace Conference: Report of the Delegation of the United States of America to the Peace Conference Held at Buenos Aires July 1, 1935-January 23, 1939* (Washington, Government Printing Office, 1940), p. 49.

its functions as long as the arbitral compromise is not definitely agreed upon.

(4th) To promote, when it is deemed opportune, the agreement between the parties relating to the exchange and repatriation of prisoners bearing in mind the practices and principles of international law.

(5th) Establishment of a system of transit, trade and navigation, having in view the geographical position of the parties.

(6th) To promote facilities, and agreements, of various kinds, destined to encourage the development of the belligerent countries.

(7th) The Peace Conference will form an international commission which will render an opinion on the responsibilities of any order and any kind arising from the war; if the conclusions of this opinion are not accepted by one of the parties, the Permanent Court of International Justice of The Hague will definitively settle the question. The Governments of the Republics of Bolivia and Paraguay pledge themselves to obtain the legislative approval of the present pact within a term of 20 days as from the date of its signature.

Article II.

The definite cessation of hostilities based on the present positions of the belligerent armies.

The positions of the conflicting armies are fixed as follows:

(a) A 12-days' truce is agreed upon in order that a neutral military commission, composed of representatives of the mediating nations, may fix intermediate lines between the positions of the belligerent armies. The truce will begin at midnight, meridian of Cordoba, on the day on which the neutral military commission, having already arrived at the field of action, considers itself ready to begin its mission.

The neutral military commission will hear the belligerent military authorities in order to determine the line of separation of the armies, and it will decide cases of discrepancies; once its mission is fulfilled it will so inform the Peace Conference.

(b) The time limit for the truce established under clause (a) having expired, the Peace Conference will extend it until the final execution of the measures of security provided for in article III.

(c) The neutral military commission will decide as to the modifications which the experience of the line of separation of the armies may make advisable, after hearing the military authorities of the belligerents.

(d) During the truce and its extension, the lines of separation of the armies will be maintained under the guarantees of the Peace Conference, for which purpose the neutral military commission will exercise vigilance and control over them.

Article III.

The adoption of the following measures of security:

(1st) The demobilization of the belligerent armies within a term of 90 days, as from the date of the fixing of the lines of separation of the armies to which reference is made in article II, in the manner to

be established by the neutral military commission, after hearing the belligerent military authorities, and up to the limit fixed in the following clause.

(2d) The reduction of military effectives to the maximum of 5,000 men.

(3rd) The obligation not to make new purchases of war material other than that indispensable for replacement, until the conclusion of the treaty of peace.

(5th) [(4th)] In signing the present pact in the presence of the mediators, the parties contract the pledge of "nonaggression."

The neutral military commission will be encharged with the control of the execution of the measures of security until their total completion. Once these are fulfilled, the Peace Conference will declare the war to be terminated.

Once the execution of the foregoing military securities and guarantees is initiated on the field of operations, which measures must be totally carried out within the maximum term of 90 consecutive days, the study of the differences will also be initiated at the same time, and the Peace Conference will exercise the functions specified in article I.

Article IV.

The declaration of August 3, 1932, regarding territorial acquisitions, is recognized by the belligerents.

Article V.

In homage to humane sentiments of the belligerents and mediators, firing is suspended as from blank.

In virtue of which the present Protocol is subscribed by mutual agreement, jointly with the representatives of the mediating states, sealed and signed on the date and place mentioned above.

WEDDELL

724.3415/4954 : Telegram

The Secretary of State to the Chargé in Bolivia (Muccio)

WASHINGTON, June 11, 1935—1 p. m.

18. Your 40, June 10, 5 p. m.⁴⁹ The Department is advised by the Embassy in Buenos Aires that the Argentine, Brazilian, and Chilean Governments made representations yesterday to the Bolivian Government urging an immediate and unconditional acceptance of the Buenos Aires Peace Protocol. You may, at the first opportunity, indicate to the Acting Minister for Foreign Affairs the earnest and friendly hope of this Government that the Government of Bolivia may find it possible to authorize the Bolivian Foreign Minister to sign the Protocol on behalf of his Government.

⁴⁹ Not printed.

The Department is advised by the American Legation in Asunción that the Paraguayan Government has authorized the Paraguayan Foreign Minister to sign the Protocol provided it is accepted by the Bolivian Government.

HULL

724.3415/4959 : Telegram

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

BUENOS AIRES, June 12, 1935—3 a. m.

[Received 3:54 a. m.]

75. From Gibson: Meeting which lasted from 5 yesterday afternoon until 2 this morning, after overcoming many last-minute obstacles ended in agreeing on signature of Protocol at noon today.

Protocol to be signed as reported in 71 June 9, 12 noon with change of period specified in article I, paragraph 7, from 20 to 10 days.

In article V date for suspension of firing is fixed for noon June 14, Meridian of Cordoba.

The following additional protocol ⁵⁰ will be signed simultaneously:

"In order to give effect to the provisions of article V of the Protocol signed on this date, the high contracting parties request the Mediation Commission to send the neutral military commission to the scene of operations immediately. Upon its arrival it shall arrange for the suspension of firing provided for in the said article V and shall start the work of drawing the line separating the armies, stipulated in article II paragraph (a) of the principal protocol. Upon the ratification of the principal protocol by the Congresses of Paraguay and Bolivia within the period of 10 days provided therefor the provisional suspension of firing to which this additional protocol refers shall be automatically transformed into the preliminary truce with a view to the definite cessation of hostilities provided for in article II paragraph (a) of the principal Protocol; if on the contrary such ratification does not result, the suspension of firing referred to in article V above-mentioned shall cease *ipso facto*."

In accordance with foregoing am arranging to send Sharp with other military representatives by air tomorrow afternoon. [Gibson.]

WEDDELL

724.3415/4959 : Telegram

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

WASHINGTON, June 12, 1935—11 a. m.

71. Your 75, June 12, 3 a. m. For Gibson. At the first appropriate moment after the formal signature of the two protocols, please express

⁵⁰ For slightly different translation, see *Report of the Delegation of the United States of America*, p. 53.

to the members of the Mediation Commission and to the two Foreign Ministers of the belligerent powers the deep gratification of the Government of the United States upon the reaching of this pacific solution of the Chaco dispute which has for so many years been the subject of grave concern to all of the republics of the Western Hemisphere. You may likewise say that it is the earnest hope of this Government that the agreement reached today may prove a foundation for those helpful and mutually profitable relationships between Bolivia and Paraguay as well as between them and the other nations of this continent envisaged in the pertinent articles of the principal protocol.

HULL

723.3415/4962 : Telegram

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

BUENOS AIRES, June 12, 1935—1 p. m.

[Received 1:42 p. m.]

76. Peace pact signed Foreign Ministers of Bolivia and Paraguay and by members of Mediation Commission as witnesses today at 12:45 p. m. Repeated to Asunción and La Paz.

WEDDELL

724.3415/4976a : Telegram

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

WASHINGTON, June 14, 1935—2 p. m.

73. For Gibson. With the apparent probability that the peace protocols will be ratified by the Congresses of both belligerents within the period fixed, it appears highly desirable to this Government that the peace conference to be summoned by the President of Argentina comprise as well representatives of nations additional to those now participating in the mediation proceedings. You will recall that this Government has upon several occasions intimated its hope that the Governments of Mexico, Colombia, and Cuba, members of the original Commission of Neutrals, be invited to participate and the League recommendations of November 24, 1934, specifically provided not only for the inclusion of these nations, but also for the inclusion of Ecuador and Venezuela. Bolivia has repeatedly pressed for the inclusion of the first named.

This Government has consistently believed that the prospects of securing a successful outcome of the peace conference would be greatly enhanced by the participation of these other Republics owing to the fact that through such representation the entire body of public opinion on this Continent outside of Central America will be officially con-

certed behind the work of the conference. Furthermore, should it be possible later on, by seizing the favorable opportunity presented by the successful conclusion of peace in the Chaco to undertake discussions envisaging the creation of continental peace machinery adequate to deal in the future with such controversies as the Chaco dispute, such efforts would be greatly facilitated if none of the major republics of the continent were offended because of their exclusion from the conference now to be held in Buenos Aires.

I wish you would ascertain and cable the Department what the intention of the President of Argentina is in this regard. It would probably be useful for you, at the same time, informally to obtain the opinions of the Chilean and Brazilian Foreign Ministers first, and should they prove in accord with the general policy above outlined, undertake some conversations with the remaining members of the Mediation Commission. While, as you realize, it would probably be undesirable at this stage for the United States to undertake any open initiative in the matter, I believe the question is so important that informal conversations between yourself and your colleagues before any further time passes will be highly desirable and serve a useful purpose.

HULL

724.3415/4979 : Telegram

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

BUENOS AIRES, June 16, 1935—11 a. m.

[Received 2: 13 p. m.]

84. Department's 73, June 14, 2 p. m. From Gibson. Have discussed with Cruchaga and Macedo Soares the question of inviting additional countries mentioned to participate in the Peace Conference. They both feel that an increase of the present number would be unfortunate and a handicap on further efforts. They outlined in different terms substantially the same objections as follows:

(1) There is a logical justification for present membership consisting of neighboring countries and the United States. If we once begin extending the membership there will be no logical place to stop until all countries of this hemisphere were included.

(2) Anything gained by including further South American countries would be more than offset through the exasperation of the Central American and Caribbean countries not included.

(3) There will be a risk of an embarrassing situation arising in connection with the inclusion of Ecuador in view of the opposition of Paraguay (see third paragraph of Embassy's 67, June 6, 1 p. m.⁵¹).

⁵¹ Not printed.

The tasks of the Conference and negotiations on matters calling for expeditious decision will be difficult enough under present conditions in view of the erratic character of its chairmanship, lack of organization and the uncontrollable eloquence of some of the members. It is important to restrict to a minimum the amount of time consumed in speech-making and this will, it is contended, be less for a group of six than for double the number, and this difference in time may well be the difference between success and failure. (I must say that after a week's experience with the mediatory group I share this view.)

As I see the situation up to the present time the mediating powers have looked upon the negotiations as a sort of forlorn hope. The first success in stopping hostilities has had a rather sobering effect and there is considerably less disposition to open the door to other countries through the feeling that this would introduce more confusion into a situation which is still precarious.

I have not sought to consult President Justo on this subject as he leaves foreign affairs strictly alone and any approach to him would be resented by Saavedra Lamas. The latter has definitely expressed himself as opposed to increasing the number of mediators (see despatch No. 719, May 21, page 2 of enclosure ⁵²). In view of Saavedra Lamas having so recently and so emphatically expressed himself on the subject to the Ambassador, have considered it [un]wise to open this subject in conversation with him.

Brazilian Minister for Foreign Affairs leaves today for Rio de Janeiro. [Gibson.]

WEDDELL

724.3415/4984 : Telegram

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

BUENOS AIRES, June 17, 1935—5 p. m.
[Received 5:37 p. m.]

86. From Gibson. Department's telegram No. 73, June 14, 2 p. m. Before leaving for Rio de Janeiro last night the Brazilian Minister for Foreign Affairs told me he had a further discussion with the Chilean Minister of Foreign Affairs as regards increasing the membership of the Peace Conference. They both feel it would be unwise but Macedo Soares does not wish to be obstructive and told me he would concur in whatever course we might eventually decide upon.

Carlos Aramayo, Bolivian Minister of Finance and member of the delegation, broached the subject in conversation with Cox. He said that the matter had been discussed in the Bolivian delegation and

⁵² Not printed.

drew attention to the fact that although the Bolivian Minister for Foreign Affairs had brought up the question of an invitation to Mexico (see last paragraph Embassy's 37, May 9, 9 p. m) he had dropped the matter when Saavedra Lamas offered objections and had not since revived it. I had hoped to elicit something more definite as to the Bolivian attitude and intentions but this has not been possible because of the departure of the Bolivian and Paraguayan delegations on a short visit to Montevideo. [Gibson.]

WEDDELL

724.3415/4984 : Telegram

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

WASHINGTON, June 18, 1935—8 p. m.

77. For Gibson. Your 84, June 16, 11 a. m. and 86, June 17, 5 p. m. I have given very careful consideration to the views expressed to you by the Foreign Ministers of Chile and Brazil. I cannot feel that there is any serious basis for the first and second objections listed in your No. 84. With regard to number (1), there is no more logical justification for the present group than there would be for any other artificially selected group of American nations. There would, on the other hand, be complete logical justification for the inclusion in the present peace conference of the nine states composing the original commission of neutrals which dealt with the Chaco dispute throughout the earlier period. Since Uruguay, which was one of this group, and is not a neighboring state, has been included, there is no justification for excluding Mexico, Colombia, and Cuba, which were also members of the original commission of neutrals.

With regard to objection (2), while certain of the Central American Republics have periodically attempted during the past 5 years to further a peaceful settlement of the Chaco controversy, their present inclusion as a matter of policy is not comparable to that of the other states above mentioned, and their alleged exasperation because of their exclusion from the peace conference would not be a determining factor in any future inter-American conference which might be called to consider the creation of adequate peace machinery for this Continent. It would, of course, be highly desirable that the Central American and Caribbean Republics be invited to take part, should the peace conference prove successful, in some formal inter-American session terminating the work of the conference.

With regard to objection (3), if the peace protocol is ratified by both Bolivia and Paraguay, discretion as to the invitations to the peace conference would appear to be vested solely in the President of

Argentina, and it is not believed probable that since Paraguay urged and obtained the inclusion of Uruguay among the mediating powers she would raise serious objection to the inclusion of Ecuador.

It seems that in your conversations with Cruchaga and Macedo Soares no specific reference has been made to the League recommendations, which specifically provided for invitations to be extended by the President of Argentina to the nations already represented as well as to Mexico, Colombia, Cuba, Venezuela, and Ecuador.

From the point of view of this Government, the important fact to be borne in mind is that throughout the duration of the Chaco conflict repeated efforts have been made by the various American Republics and various groups of American Republics to bring about a peaceful solution, but at no time has there been any concerted effort on the part of all of the American Republics to press for peace. This has been due, in large part, in my judgment, to the lack of adequate peace machinery on this Continent in which the American Republics could properly have confidence. If any beneficial results are to be derived from the experience of these past 6 years, they would seem to lie solely in the possibility of seizing the opportune moment presented by a successful termination of the coming peace conference and for the United States to join with other powers of this Continent in an initiative to suggest the need for the creation of adequate peace machinery competent to deal with such inter-American disputes should they arise in the future. If this opportunity is lost, you will readily understand that an appropriate moment will presumably not soon again arise. For this reason it would seem especially desirable that certain influential governments, and in particular Mexico and Colombia, should not be offended by their exclusion from the present conference, since the offense thus occasioned would inevitably make them far less willing to cooperate with the nations already represented in the conference in any effort such as that above indicated.

This Government appreciates the attitude taken by the Brazilian Foreign Minister and I shall discuss the possibility in further detail with Aranha after the return of the Foreign Minister to Rio de Janeiro.

Because of the views you have expressed, and because of the fact that it is clearly undesirable to raise any controversial issue at this moment which might delay prompt ratification of the protocols by the two belligerents, you may leave the question in abeyance until further instructions are sent to you. I believe, however, that you will share my view that while the first objective is to provide for a satisfactory and speedy conclusion of permanent peace as envisaged in the protocols, the larger objective from the point of view of our

continental policy is to seize the occasion if it is presented to press for adequate continental peace machinery and for that reason to do everything possible to encourage and foster concerted continental public opinion among the American Republics towards that end.

HULL

724.3415/4991 : Telegram

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

BUENOS AIRES, June 19, 1935—5 p. m.

[Received 8:10 p. m.]

91. From Gibson. My 84, June 16, 11 a. m. Nieto del Río tells me Chilean delegation has discussed question of inviting additional countries to the peace conference. He says delegation is of opinion that this would be unwise but that they will follow our lead.

My own impression is that there is general opposition here among those concerned to extending membership, coupled with determination to pass the buck to us if this is done.

I hope to see Saavedra Lamas tomorrow to ascertain plans as to general organization of the Peace Conference and to elicit, purely incidentally, his present views on extension of membership. I will then submit further report with reference to Department's 77, June 18, 8 p. m. [Gibson.]

WEDDELL

724.3415/5005 : Telegram

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

BUENOS AIRES, June 21, 1935—3 p. m.

[Received 9 p. m.⁵³]

94. From Gibson. Last paragraph my 91, June 19, 5 p. m. Had a long talk with Saavedra Lamas last night at his house.

He is convinced that the Bolivian Congress will ratify well within the time limit and proposes upon receipt of news to this effect to call the mediatory group in order that it may request the President to issue invitations for the Peace Conference. Apparently he does not propose to await exchange of ratifications.

He says that the work to date has been hampered by the fact that press representatives were crowded around the doors of the conference room and were able to hear and surmise too much. This is an under statement of the facts. He has chosen more secluded rooms

⁵³ Telegram in two sections.

for the Peace Conference and hopes thus to reduce the temptation for oratory and discourage press sensations.

He has been urged by the Paraguayans to concentrate immediately upon the conclusion of the direct agreement referred to in article I, paragraph 3, of the Protocol. He feels this would be a mistake inasmuch as the discussions on this subject may repeatedly come to a deadlock and if that is sole work before the Conference, the press may draw the conclusion that it is proceeding from one break-down to another. He would prefer to divide the work into a number of problems for simultaneous discussion by committees in order that a temporary suspension of any single committee will not create the impression that the Conference has broken down.

In discussing the League recommendations he said that the question of inviting the other countries indicated by the League had not arisen and he hoped it would not: (1) that the League recommendations were nothing more than "recommendations" and were not mandatory; (2) that if this were a conference to deal with a question of direct common interest we could not properly refrain from inviting all other countries but that we must not lose sight of the fact that this was purely the exercise of good offices in a question directly affecting only two countries and he felt that if anything we were now too numerous and that any increase of the mediatory group would be unfortunate.

He says the present problem is a specific and limited task. Once this is out of the way he feels it would be desirable, either as an extension of this conference or in some other way to have a general conference in order to set up machinery for averting further wars in this hemisphere; that if we can dispose of this problem in America, particularly if it can be done without the necessity for recourse to European arbitration, we shall be in an advantageous position to go on to the next step of providing for the future and for that reason we will continue to keep the same group for the immediate task and to have an all-American group for future problems.

He went on to say that if everything works out as he now sees it we may well have our first meeting next week; that even if there is further delay there will be no time for the other countries mentioned in the League recommendations to send representatives to Buenos Aires, which would mean that local representatives would have to be appointed. . . . In his opinion the essential thing now is to hold the conference in such a way as to be sure of the presence of Macedo Soares, Cruchaga and Concha and he thinks the possibility of this will be materially lessened if the group is unduly diluted.

In conclusion Dr. Saavedra Lamas said that if he had been rather downright in outlining his views he did not wish me to draw the con-

clusion that he was rigid; that obviously if new considerations arose he would submit the whole question to the mediatory group in order that the problem might be examined and the right decision taken.

As Dr. Saavedra Lamas outlined his views in considerable detail, I have felt that I should report them fully so that you may have them before you in preparing your instructions as to the action you desire me to take. [Gibson.]

WEDDELL

724.34119/1 : Telegram

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

BUENOS AIRES, June 22, 1935—11 a. m.

[Received June 22—10:55 a. m.]

98. From Gibson. The Protocols have been ratified and Saavedra Lamas has just called a meeting of the mediatory group for 6 o'clock this afternoon in order that it may request the President of the Argentine Republic to issue invitations to the Peace Conference. If the Department wishes me to suggest extension of membership such action will in the circumstances have to be taken at this evening's meeting and full instructions should therefore be sent me immediately. [Gibson.]

WEDDELL

724.3415/5005 : Telegram

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

WASHINGTON, June 22, 1935—2 p. m.

86. For Gibson. Your 94, June 21, 3 p. m. The views of Dr. Saavedra Lamas as to the desirable procedure to be followed by the peace conference were communicated to me yesterday by the Argentine Ambassador. The position he takes appears to be based upon the reasonable ground that if the conference confines itself at first solely to juridical questions and is prevented from bringing into the course of the negotiations the practical considerations entailed in the economic and communications phases of the problem an impasse will probably be created and the work of the conference may be indefinitely held up if it does not altogether break down. You may at an early moment inform Dr. Saavedra Lamas that his suggestions as to procedure appear to your Government to be both reasonable and practical and that you will consequently be glad to support the stand which he is taking in the matter.

With regard to the question of the extension of invitations to participate in the peace conference to the other nations mentioned in previous cables, I am informed by Aranha that President Vargas feels as does this Government that it is of exceeding importance to avoid causing offense to the other American republics particularly those who have cooperated in the peace work in the past. The President of Brazil feels further that these views will be shared by the Government of Uruguay. I think consequently it would be well for you to discuss the matter informally with your Peruvian and Uruguayan colleagues and ascertain their views. Thereafter, inasmuch as you have now discussed the matter fully with Dr. Saavedra Lamas, it would seem desirable for you in the next meeting of the commission to bring the question up stating that the Government of the United States, while desiring to present its views, does so for the purpose of ascertaining the views of the other participating governments. The two chief points which you should stress are, of course, first, the fact that it would seem logical to include Mexico, Colombia, and Cuba which served throughout a protracted period upon the Commission of Neutrals of Washington and that it would be difficult to explain to those governments why they should now be excluded from what is hoped will be a negotiation of permanent peace; second, that it is believed to be of the utmost importance in the cause of the maintenance of permanent peace on this continent to obtain the loyal and concerted support of inter-American public opinion behind the work of the conference and that this objective is less likely of achievement if feelings or susceptibilities are injured at this time.

I think it would be well for you to state that this Government would be glad, of course, to abide by the desires of the other governments represented on the commission but that it has believed the matter to be of such great importance as to make it impossible for it to refrain from placing before the commission its own views in the clearest and frankest manner.

HULL

724.3415/5008 : Telegram

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

BUENOS AIRES, June 22, 1935—midnight.

[Received June 23—5 : 30 a. m.]

99. From Gibson. Department's 86, June 22, 2 p. m. I communicated substance of your telegram to the Argentine Minister for Foreign Affairs before the meeting this evening. He reiterated in friendly but decided terms the views outlined in my 94, June 21, 3

p. m., but agreed that I should present the matter to the meeting. I also went into the subject with my Peruvian and Uruguayan colleagues who both expressed opposition to increasing membership of Peace Conference.

The meeting was in fact an informal conversation to take account of the present status of the truce, the procedure for convening the conference. I communicated the substance of section 3 of your telegram to the group.

Thereafter there was a general discussion entirely amicable in tone but decidedly antagonistic to any increase in membership.

The Argentine Minister for Foreign Affairs opened the discussion by review of previous discussions and stated that our proposal seemed to indicate a modification of attitude inasmuch as we had in earlier meetings appeared content with the present membership but felt that if Mexico were also to be invited some definite principle should be adopted, such as the completion of the nine-power group, whereas we now definitely favored an extension at least to this extent. He repeated the view that the present membership was more likely to work harmoniously and achieve results and saw no harm in maintaining it. He pointed out that the belligerents had accepted the offer of good offices of a group of powers and that the one addition which had been made to it had been at the instance of one of the belligerents with the acquiescence of the other, questioned the propriety of the mediators taking upon themselves to modify the composition of the group whose good offices had been accepted and stressed the fact that any request for modifications should emanate from the belligerents. He remarked that while Bolivia had at one time broached the subject of inviting Mexico it had dropped the suggestion.

Peruvian Minister for Foreign Affairs said that he feared any attempt to bring in other powers might produce unfortunate situation through objection by one of the belligerents; that this would be more unfortunate than failure to extend an invitation.

Peruvian Ambassador brought out one point which was new to me, namely, that when protocol of agreement was being drafted before my arrival, it had been suggested that an article might be inserted dealing with possible increases in membership but that it had not been pressed because of the general feeling that any suggestion by the belligerents that further invitations be extended should be submitted to Peace Conference. He added, and the Argentine Minister for Foreign Affairs agreed with him, that under the terms of the protocol the function of the President of the Argentine Republic was not to choose

the countries to be represented at the Peace Conference but merely at the instance of mediatory group to invite powers in the latter.

Brazilian Ambassador, when called upon, indicated statements already made in meetings by the Brazilian Minister for Foreign Affairs as constituting views of his Government. These statements merely expressed opposition to further extension and were not tempered by the confidential statement he made to me that Brazil would be prepared to follow our lead.

Chilean Minister for Foreign Affairs, in a friendly but definite statement, said that he was not worried about any ill-feeling resulting from maintaining our present membership but that he questioned good results to come of extending invitations to three more powers as that would make more pointed failure to invite remaining South American countries and that if these were in turn invited, it would make more obvious failure to include remaining Latin American countries. Both he and Argentine Minister for Foreign Affairs stated that they believed best course was to keep to the present membership for the immediate work and, after success was definitely in sight, to invite all the remaining countries of this hemisphere to join in the actual conclusion of the treaty of peace.

Uruguayan Ambassador expressed agreement with his colleagues.

In summing up the discussion the Argentine Minister for Foreign Affairs asked if it was the unanimous opinion of the mediatory group that it would be desirable to keep to the decision already reached, namely, that the group would entertain no proposals for further invitations and that any proposals to this end should be made by the belligerent nations to the Peace Conference. Assent was given by all present except myself.

The Argentine Minister for Foreign Affairs indicated that President Justo would call the Peace Conference for the latter part of next week in order to afford time for the Brazilian delegation to arrive.

In conclusion I said that I wanted to make very clear that your proposal was based on your essential concern to maintain intact and safeguard the solidarity of Pan-American opinion, not only for the present case but especially for the future; that I must point out that this concern was not a United States monopoly but was of equal importance to the other members of the mediatory group, and that I trusted that they would give the matter their earnest thought and be prepared when the time came to deal with it in the light of this essential concern. [Gibson.]

WEDDELL

724.3415/5008 : Telegram

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

WASHINGTON, June 24, 1935—noon.

88. For Gibson. Your 99, June 22, midnight. The Department approves entirely of the manner in which you presented the views of your Government at the meeting of the Commission and of the considerations which you advanced as reported in the last paragraph of your cable.

Should any further reference be made to this subject in the next meetings of the commission, you may limit yourself to stating that you have been instructed by your Government to say that while it is regretted that the views of the United States Government on this important matter are not shared by the other Governments participating in the negotiations, its views will not be pressed any further. The Government of the United States hopes however as indicated by the Argentine and Chilean Foreign Ministers that the remaining American republics will be invited to join in the actual conclusion of the treaty of peace.

PHILLIPS

724.3415/5016 : Telegram

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

BUENOS AIRES, June 25, 1935—10 p. m.

[Received June 26—1:30 a. m.]

103. From Gibson. At Saturday evening's meeting reported in my 99, June 22, midnight, the Chilean Minister for Foreign Affairs stated that he had been giving thought to how to deal with the problems of the Peace Conference and had elaborated a plan, the salient features of which he indicated, adding that he would be glad if an informal meeting could be called for Monday afternoon at which he could explain it to his colleagues. The Argentine Minister for Foreign Affairs was unwilling to give the plan a hearing and the matter was dropped.

This afternoon I had a talk with the Chilean Minister for Foreign Affairs who went over his plan with me in detail. His essential idea is that if the Conference goes to work without a plan it will make little progress. He therefore proposes that the first act of the Peace Conference shall be to secure the signature of a treaty affirming perpetual peace and amity between Bolivia and Paraguay. The treaty would set up an international mixed commission composed of five

members of Congress, two to be appointed by each of the belligerents, in each one national and one non-national of another American country, with a fifth member to act as president designated by President of the Argentine Republic; this body to endeavor to draw up a full settlement of all pending questions, territorial, economic and transit, and submit this solution for the approval of the two parties. If this solution were accepted by them they should promptly embody it in a final treaty. If they should not accept it they would be given a fixed period within which to agree upon an arbitral compromise, failing which this document would be drawn by the International Mixed Commission, the parties agreeing in advance to accept it; in either event the arbitral compromise to be submitted to the Court of International Justice in accordance with the terms of the Protocol. Further provisions would insure the maintenance of the territorial *status quo* pending final settlement.

The Chilean Minister for Foreign Affairs asserts that there is nothing in his plan that conflicts with the Protocol and that on the contrary it is merely an attempt to provide machinery for carrying out the manifest intentions of that document and specifically to ensure that an arbitral compromise will be drawn up thus filling a serious gap in the Protocol. I see no reason to disagree with him. He was clearly disappointed at the unwillingness of the Argentine Minister for Foreign Affairs to afford him a hearing but proposes to try again. In the meantime he has with the authority of the Argentine Minister for Foreign Affairs sounded Bolivians who, while not committing themselves prior to study of his plan, have not adopted a discouraging attitude. He will not approach the plan until after the Bolivians have given him reason to feel there is no insuperable obstacle on that side. [Gibson.]

WEDDELL

724.3415/5017 : Telegram

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

BUENOS AIRES, June 25, 1935—11 p. m.

[Received June 26—1:43 a. m.]

104. From Gibson. The Argentine Minister for Foreign Affairs asked me to come to see him this afternoon to tell me of certain views which he was telegraphing Espil⁵⁴ for the information of the Department. He said that he had given much thought to the participation of other American countries and that he was instructing Espil to tell you that he was prepared at a later date to advocate the inclusion of

⁵⁴ Felipe A. Espil, Argentine Ambassador in the United States.

all the American powers on either one of two grounds: (a) To invite them when success was in sight to join in the conclusion and signature of the treaty; (b) if the conference was going on the rocks, to invite them in to avert a disaster.

I raised the question whether the second alternative would be considered flattering but he said he felt it was a great concession and that you should know of it.

He said he was also instructing Espil to tell you about the proposal of the Chilean Minister for Foreign Affairs reported in my 103, June 25, 10 p. m. I was unable to get from him a clear statement as to what part of his remarks were being transmitted through Espil. He began by saying that Cruchaga had produced a plan which was destructive of the Protocol, that if it became known to the belligerents it would be an encouragement to them to make no effort at direct agreement and to leave everything to the Joint Commission. For that reason he said our first effort should be concentrated on bringing about direct agreement between the parties. I pointed out that this seemed to be at variance with what he told me last week (fourth paragraph of my 94, June 21, 3 p. m.) but he said the situation had been materially altered by the Chilean proposal.

He is now thinking of deferring the opening of the conference some days longer on the ground that the Brazilian delegation has not yet been chosen. Unfortunately both the Chilean and Peruvian Ministers for Foreign Affairs have indicated that they are obliged to leave the middle of next week. [Gibson.]

WEDDELL

724.3415/5018 : Telegram

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

BUENOS AIRES, June 27, 1935—4 p. m.

[Received 7:40 p. m.]

107. From Gibson. Meeting of mediatory group today dealt with the following points:

(1) Took note of formal notification from the Governments of Bolivia and Paraguay that Protocol and additional Protocol had been ratified without reservations. (Press despatches from La Paz have indicated Bolivian resentment over alleged Paraguayan reservations in ratifying.)

(2) Acting upon the request of the belligerents the group authorized its chairman to request the Argentine President to issue invitations for the Peace Conference.

(3) In compliance with the President's request for suggestions, the Argentine Minister for Foreign Affairs was authorized to pro-

pose on behalf of the group that the first meeting should be on Monday July 1st. (No objection was offered to this suggestion although the Foreign Ministers of Chile and Peru are leaving on Wednesday and the Brazilian delegation has not as yet been appointed.)

(4) Telegraphic reports were read from the neutral military commission indicating that its work is progressing in an entirely satisfactory manner. [Gibson.]

WEDDELL

THE CHACO PEACE CONFERENCE

724.34119/10 : Telegram

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

WASHINGTON, July 1, 1935.

I have received Your Excellency's courteous telegram of June 28th⁵⁵ in which you inform me of the desire of His Excellency the President of the Argentine Nation to convoke a Peace Conference for the purposes expressed in the protocol signed June 12th. The President of the United States has asked me to express his appreciation of this invitation and to inform you that he hereby appoints the Honorable Hugh Gibson, American Ambassador to Brazil, as delegate of the United States of America to the Peace Conference.

At the same time the President desires me to inform you of his gratification at the progress thus far made in the interests of peace and of his wishes for the successful outcome of the Conference.

I extend to Your Excellency the assurances of my highest and most distinguished consideration.

CORDELL HULL

724.34119/9 : Telegram

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

BUENOS AIRES, July 1, 1935—8 p. m.

[Received July 1—7:45 p. m.]

110. From Gibson. The Peace Conference⁵⁶ was opened this evening at 5:30 by President Justo in a brief speech.

⁵⁵ Printed in Department of State, *Press Releases*, July 6, 1935, p. 3.

⁵⁶ See Ministerio de Relaciones Exteriores y Culto, *La Conferencia de Paz del Chaco, 1935-1939* (Buenos Aires, 1939), p. 10; also *The Chaco Peace Conference: Report of the Delegation of the United States of America to the Peace Conference Held at Buenos Aires, July 1, 1935-January 23, 1939* (Washington, Government Printing Office, 1940).

Saavedra Lamas was chosen as chairman on proposal of Chilean Minister for Foreign Affairs, seconded by me.

First business was to make of record the ratification by both Governments of Protocol of June 12. (Article I, paragraph 1 thereof).

A resolution was adopted in conformity with 2, paragraph (b) prolonging the truce which would have expired July 3d.

Next meeting tomorrow morning at 10:30. [Gibson.]

WEDDELL

724.34119/14: Telegram

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

BUENOS AIRES, July 2, 1935—3 p. m.

[Received 8:25 p. m.]

112. From Gibson. I asked Cruchaga⁵⁷ this morning what he proposed to do about his plan reported in my No. 103, June 25, 10 p. m. He replied that he was discouraged and disgusted and proposed to do nothing further beyond leaving a copy with Saavedra Lamas. He said that he was leaving tomorrow morning, convinced that his presence here was not only productive of no good but that there was definite resentment on the part of Saavedra Lamas of any constructive ideas which he or anybody else might advance.

He said that he had gone over his plan with both the Bolivian and Paraguayan delegations, that the Bolivians were entirely unreasonable and apparently under an illusion that they had won the war, and that he feared that this would be extremely difficult. He stated that the Paraguayan delegation while properly firm about maintaining their interests had been more reasonable in the discussions. [Gibson.]

WEDDELL

724.34119/13: Telegram

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

BUENOS AIRES, July 2, 1935—4 p. m.

[Received 8:45 p. m.]

113. From Gibson. First business meeting of Peace Conference this morning may be summarized as follows:

1. Agreed that in the absence of chairman he be temporarily replaced by heads of nonbelligerent delegations in alphabetical order (beginning with Brazil).

2. Podestá Costa⁵⁸ formally chosen as Secretary General.

⁵⁷ Miguel Cruchaga Tocornal, Chilean Minister for Foreign Affairs.

⁵⁸ Luis A. Podestá Costa, Argentine delegate.

3. Small committee appointed to draft rules of procedure. It was agreed that all delegations, including the parties in conflict, should attend plenary sessions whereas informal meetings may be called without them or with only one of them present.

4. Chairman laid it down that instead of dividing the work among committees, all questions should be discussed by the full Conference. Suggestion that the first stages of various subjects at least should be dealt with by separate committees was disregarded but experience will probably prove the necessity for some more business-like arrangement.

5. Agreed that a press communiqué should be issued after each meeting, delegations undertaking to make no communications to the press.

6. The chairman devoted considerable time to thanking the Foreign Ministers, most of whom are leaving tomorrow, for their presence here and expressing his earnest hope for their return. In conclusion, while expressing his hope that they would all be here for the signature of the final peace treaty, he charged me to extend an invitation to you in the same sense.

7. It was agreed there should be plenary sessions three times a week, the next to be Thursday afternoon at 3 o'clock.

8. The Secretary General read a telegram from the Chairman of the Neutral Military Commission reporting satisfactory progress and good understanding inside the group and with the high commands of both armies.

9. It was decided the chairman should send a telegram to the Chairman of the Neutral Military Commission expressing the commendation of the Peace Conference for the work thus far achieved by the Commission.

10. Chairman asked authority to send a telegram to the Secretary General of the League of Nations informing him of the opening of the Peace Conference. This led to some difficulty as the head of the Paraguayan delegation objected with some heat that his country had withdrawn from the League of Nations, did not recognize any relation between the League proposals and the work now undertaken, and wished to make it very clear that Paraguay disassociated itself from any such communication. The Chairman handled the matter rather deftly and the Paraguayan Minister was enabled to beat a graceful retreat after the Conference accepted his suggestion of sending a similar telegram to the Pan American Union. He nevertheless maintained his general reservation and the final decision was that the chairman should send a telegram emanating from the representatives of states members of the League. [Gibson.]

724.34119/16 : Telegram

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

BUENOS AIRES, July 4, 1935—5 p. m.

[Received 7:05 p. m.]

117. From Gibson. Third session of the Peace Conference this afternoon may be summarized as follows:

(1) Approved minutes of the first and second meetings.

(2) Agreed that the Conference should be adjourned pending calling of next meeting by chairman. Reason given for this step was the necessity of awaiting Brazilian delegation and additional members of other delegations. Next meeting will not be before July 11th.

(3) Report read from Neutral Military Commission to the effect that demobilization period of 90 days provided for in article 3 of the peace Protocol had begun on July 2nd at midnight since the line of separation of the belligerent armies had been fixed on that date.

(4) Draft of proposed rules of procedure distributed for study and consideration at the next meeting. [Gibson.]

WEDDELL

724.34119/27

Memorandum by the Chief of the Division of Mexican Affairs (Reed)

[WASHINGTON,] July 5, 1935.

Dr. Luis Quintanilla, Counselor of the Mexican Embassy, called this morning and gave me a message for Mr. Welles,⁵⁹ more or less as follows:

"Much as the Mexican Government appreciates the interest of the United States Government in endeavoring to have an invitation extended to Mexico, as well as to the Governments of Cuba and Colombia, to participate in the Chaco proceedings at Buenos Aires, the Mexican Government, in view of the circumstances, would find itself compelled to decline such an invitation if it were now extended. The other governments participating in the peace conference are being similarly advised."

Dr. Quintanilla added that he was very anxious that Mr. Welles receive this message as soon as possible, in order to avoid the embarrassment that might result should an invitation to Mexico be extended.

EDWARD L. REED

⁵⁹ Sumner Welles, Assistant Secretary of State.

724.34119/21 : Telegram

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

BUENOS AIRES, July 6, 1935—9 p. m.

[Received 11:41 p. m.]

120. From Gibson. It may be useful to summarize the situation in the Peace Conference before the regular work begins.

It is an accepted fact here that the essential immediate difficulty is not the solution of territorial and other problems but the personality of the presiding officer. Saavedra Lamas is on his home ground and he intends that this Conference shall be his. He is openly resentful of any ideas or suggestions put forward by other members and it would appear that if necessary he will drag things out until he has exhausted opposition to his plans.

First, he kept the Conference marking time in a rather obvious way until the visiting Foreign Ministers left. Then, although the other delegations have expressed their readiness to proceed, he has now insisted upon a suspension of activities for a week or more in his discretion. The reasons for this have not been fathomed unless it be that he is utilizing the time for preparatory work of his own. Color is lent to this conjecture by the fact that while he would not consider suggestions that the Conference appoint committees to take up the questions set forth in the Protocol, he has had an Argentine committee set up by Executive Decree to advise him on the subjects covered by paragraphs 5 and 6 of article I of the Protocol.

As matters now stand a pretty definite quietus has been put on initiative from other delegations. Both the Chilean and Peruvian Foreign Ministers told me confidentially that they had learned their lesson and did not anticipate making any further suggestions at least in plenary session. The Uruguayan delegate is merely an echo of the Argentine Minister of Foreign Affairs and the Brazilian delegation still remains an unknown quantity.

Our chief concern being the formulation of an agreement which can be accepted by the two parties, it seems to me that our best hope lies in recognizing the existing situation and seeking to wield a moderating influence toward keeping peace in the Conference.

I have avoided advancing any suggestions of substance and have thus far concentrated my efforts on making clear to Saavedra Lamas that I was ready to support him and facilitate his task wherever possible and that I was not looking for personal credit. Thus far he has responded satisfactorily and I believe he has confidence in our attitude. It seems to me that we should seek to maintain these relations in order

that we may be in a position to smooth over some of the constant bickering, endeavor to keep him on the rails and advance ideas to him privately from time to time without arousing resentment.

When the Conference does eventually meet, it is Saavedra Lamas' present apparent intention, subject of course to change without notice, to have all the problems involved in a settlement discussed in plenary session. Such a course obviously gives little hope for useful conclusions. It would be premature and perhaps even harmful however to advance any suggestions here at this time but I have been giving thought to some way of getting onto a more business like basis and should like to suggest for the Department's consideration and comment one possible method.

After the general discussion has run its course, we might suggest in private conversation with Saavedra Lamas, in order that he might adopt the idea as his own if he so desires that the time appeared to have come when a small committee could more expeditiously proceed, on the basis of our discussions, to formulate actual terms of agreement; that to this end he might appoint a committee comprising representatives of Bolivia and Paraguay and perhaps two others, one to be chosen by each of the parties, with himself as chairman or at least as constructive chairman; this body to settle down to continuous work on formulating the terms of an agreement to be submitted to the plenary session which could be called whenever a draft agreement was ready. This would appear to have many of the virtues of the scheme proposed by Cruchaga without arousing the objection that the committee was assuming the functions of the Peace Conference.

Perhaps Saavedra Lamas might be more inclined to favor some such plan if I could make clear to him that we did not seek a place on the small committee and in fact would prefer to remain aloof from its detailed discussions thereby reserving our influence for use in support of any plan of settlement the committee might be able to evolve. In frequent conversations I have had with him he has shown a great anxiety to have our consistent support and in order to get it, he may be willing to meet us part way in some such scheme.

In an ordinary conference such questions of procedure would work themselves out but the Department will appreciate the special circumstances which lead me to feel this is a delicate matter which should be handled carefully and that I am therefore impelled to submit this suggestion in order to elicit the Department's views and any alternative suggestions as to how the next stage of proceedings can be approached. [Gibson.]

WEDDELL

724.34119/21 : Telegram

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

WASHINGTON, July 9, 1935—4 p. m.

101. For Gibson. Your 120, July 6, 9 p. m. The concrete suggestions advanced in the last paragraphs of your cable under reference appear to be both desirable and practical although, of course, the Department must depend upon your own judgment and discretion as to the desirable moment when such suggestions might be made informally and confidentially to Saavedra Lamas by yourself.

I have found your cabled reports exceedingly valuable and I hope you will continue to send similar reports by cable whenever the situation warrants it.

In view of the new difficulties presented by the attitude taken by the Brazilian Minister for Foreign Affairs, it seems essential for you not to leave Buenos Aires for the time being. If later on you feel developments are sufficiently favorable to permit of your flying to Rio de Janeiro for a short stay, please cable the Department accordingly.

HULL

724.34119/35 : Telegram

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

BUENOS AIRES, July 12, 1935—4 p. m.

[Received 6:10 p. m.]

127. From Gibson. Saavedra Lamas sent for me last evening to talk over plans for Conference work. He said he was calling the next meeting for Monday afternoon as the Brazilian and Paraguayan delegations would both be completed by that time.

He is anxious to avoid having the question of responsibilities and reparations discussed in the Conference as such discussion might prejudice agreement on more essential matters; to this end he [thinks?] the best course might be to act in accordance with the provisions of articles 7 and 10 of his Anti-War Pact⁶⁰ and refer the entire subject to some distant judicial authority in the hope that the preparation of an advisory opinion would last long enough to render possible conclusion of direct agreement on practical grounds. He had just discussed the matter with the Bolivian Minister for Foreign Affairs⁶¹ who expressed full agreement. "In fact Elío had broached the idea of such treatment to me in previous conversation."

⁶⁰ *Foreign Relations*, 1933, vol. iv, p. 234.

⁶¹ Tomás Manuel Elío, Chairman of the Bolivian delegation.

He plans to set up some committees for dealing with the questions of prisoners of war and economic and transit matters but was not precise as to the machinery he had in mind.

He said that for the present he expected to hold only two meetings a week thus deliberately delaying matters until demobilization had gone so far that it would be difficult for either party to threaten the Conference with a resumption of hostilities. He was disturbed by news received from Bolivia to the effect that the Bolivian military authorities were delaying demobilization in order to have their military machine intact for possible eventualities in connection with the change in the Presidency on August 6th.

WEDDELL

724.34119/40 : Telegram

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

BUENOS AIRES, July 15, 1935—4 p. m.

[Received 6:15 p. m.]

129. From Gibson. Saavedra Lamas states that he has received a telegram from the Argentine representative to the League of Nations informing him that the Chairman of the League Chaco Committee desired to accredit an observer to the Chaco Peace Conference.

Saavedra Lamas asserts that, without waiting to consult the Conference, he replied that he would not be prepared to entertain any such request, apparently on the ground that the Conference was completely independent of the League.

WEDDELL

724.34119/37 : Telegram

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

BUENOS AIRES, July 15, 1935—5 p. m.

[Received 6:19 p. m.]

130. From Gibson. In recent conversations with members of several delegations including the Bolivians, Brazilians, and myself, Saavedra Lamas has spoken of the possibility that Chile might "let Bolivia have a port near Arica".⁶² He has even asserted that he "felt authorized" to say that Chile would be willing to take this step although he has been vague as to whether it would mean a territorial cession or only a free port.

I understand that Nieto del Río, one of the Chilean delegates some time ago informed the Bolivians that Chile would be ready to nego-

⁶² See *Foreign Relations*, 1929, vol. I, pp. 720 ff.

tiate a protocol extending and defining Bolivia's transit rights across Chilean territory from Arica. It occurs to me that Saavedra Lamas' assertions may be merely a distortion of this offer as it is hard to conceive that Chile would agree in effect to reopen the Pacific question. [Gibson.]

WEDDELL

724.34119/39 : Telegram

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

BUENOS AIRES, July 15, 1935—9 p. m.

[Received 10 p. m.]

132. From Gibson. Fourth session this afternoon may be summarized as follows:

1. Chairman welcomed new Brazilian delegate Rodriguez Alves and Uruguayan delegate Manini Ríos.

2. Apparently as a result of an unfortunate speech by the Paraguayan Minister for Foreign Affairs some days ago when he reached Asunción and the recent publication of a scurrilous Bolivian propaganda sheet in Buenos Aires the chairman made an appeal to the contending parties to refrain from newspaper activities. Both delegations agreed wholeheartedly and assured him they would continue to refrain from propaganda.

3. Telegram read from the chairman of the Neutral Military Commission reporting satisfactory progress and indicating that actual steps of demobilization began July 10.

4. Conference was informed that Paraguayan chief delegate Zubizarreta will arrive only next week in time for a meeting on the 24th.

5. Rules of procedure adopted after lengthy discussion. All suggestions we had to offer were brought forward by ourselves or others and adopted. Report follows by air mail.

In this connection I brought up the question of seating delegations (Department's 94, July 3, 6 p. m.⁶³). It was decided in conformity with our suggestion to determine order of precedence by lot.

6. In deference to the Uruguayan delegate who apparently intends to commute it was decided to hold two meetings a week, on Wednesday and Friday. The chairman announced that the Wednesday meetings would be devoted to the fundamental question of direct agreement and the Friday meetings to discussing other subjects in rotation. As a good start it was decided to omit this week's Wednesday meeting. [Gibson.]

WEDDELL

⁶³ Not printed.

724.34119/45 : Telegram

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

BUENOS AIRES, July 16, 1935—9 p. m.
[Received 10:28 p. m.]

135. From Gibson. In view of some of his recent activities it would not be surprising if Saavedra Lamas were to make some reference in the Conference to possible financial aid by the United States for rehabilitation of the belligerent countries or even a surprise proposal in regard to this. I can of course dispose of the matter if it arises by a statement of my own to the effect that the American Government is not equipped to deal with matters of this sort but you may have some further ideas which this would afford an occasion to express. If so I should be glad if I might have them before next Friday's meeting.

It must be borne in mind that Saavedra Lamas' interest in our financial assistance to the belligerents is probably based on the assumption that a large part of the money received by both countries would find its way to Argentina in the form of the refunding by Paraguay of Argentine advances (Saavedra Lamas has repeatedly stated that Bolivia will have to pay a large sum in reparation to Paraguay). [Gibson.]

WEDDELL

724.34119/45 : Telegram

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

WASHINGTON, July 18, 1935—2 p. m.

104. For Gibson. Your 135, July 16, 9 p. m. If any proposal is advanced in the Conference by Dr. Saavedra Lamas, or even if any intimation is made, for the United States to undertake to extend financial assistance for the rehabilitation of the belligerent countries, it would in my judgment be well for the matter to be quashed emphatically at the outset. It might be desirable for you to say that you are authorized to state that the members of the Conference must of course appreciate that no loans can be made by the Government of the United States without the authorization of the Congress and that you are sure it will be readily understood that at the time when the United States is recovering from the most severe depression it has ever known and when all of the efforts and the resources of this Government are being directed towards relieving distress and towards expediting recovery within the United States, it would not be conceivable that the

American Congress would authorize the extension of credits by this Government towards rehabilitation outside of the borders of the United States.

It would seem, however, desirable to avoid if possible the bringing up of any such proposals in the Conference itself and I would therefore suggest that you express the point of view above indicated to Dr. Saavedra Lamas informally before tomorrow's session of the Conference.

PHILLIPS

724.34119/50 : Telegram

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

BUENOS AIRES, July 19, 1935—8 p. m.

[Received 8:30 p. m.]

139. From Gibson. Department's 104, July 18, 2 p. m. Communication made today to the Minister for Foreign Affairs and to those members of the Conference who have mentioned the subject as coming from Saavedra Lamas.

WEDDELL

724.34119/51 : Telegram

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

BUENOS AIRES, July 19, 1935—10 p. m.

[Received July 20—1:56 a. m.]

140. From Gibson. Fifth session of the Peace Conference this afternoon discussed article No. I, paragraph No. 4 of Protocol.

Bolivia and Paraguay in agreement as to prompt exchange of prisoners but disagreed as to whether surplus prisoners held by Paraguay should be repatriated now or after signature of peace (Bolivia holds about 2,500 prisoners, Paraguay about 30,000).

A committee was set up to study and attempt to conciliate the conflicting views and report to the Conference. This committee composed of two representatives of each of the ex-belligerents and three neutrals. President declined to act on proposal that he choose the three neutral members and had lots drawn resulting in choice of one Argentine, one Chilean and myself. I should have preferred not to be on this committee but under the circumstances could not very well avoid acceptance. [Gibson.]

WEDDELL

724.34119/52 : Telegram

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

BUENOS AIRES, July 20, 1935—8 p. m.

[Received 10:20 p. m.]

141. From Gibson. Since the Conference was convened we have accomplished exactly nothing.

After originally holding other views and twice diverted from his position (see my 94, June 21, 3 p. m. and 127, July 12, 4 p. m.) the chairman has recently insisted that: (1) we must hold plenary session at stated intervals for general discussions in order to create an illusion of activity and satisfy public opinion while (2) avoiding fundamental questions until the Bolivian Presidential situation is clarified and until demobilization has been carried far enough to ensure against resumption of hostilities.

I have felt that the chairman was right on the second point but that the period of waiting should be utilized in preparatory work by committees on the various problems which will have to be dealt with. Plenary sessions of the Conference might even be suspended subject to call by the chairman when material is ready for submission by committees or when conditions are more propitious.

While undue importance should not be attached to the committee method it could be of material assistance. The question of exchange and repatriation of prisoners can be dealt with in this way more satisfactorily than in any other while the reference to committees of such questions as communications, transit and economic assistance might at least make it clear that they will become realities only as bilateral negotiations and thus enable the avoidance of inconclusive debates on the subject in plenary session.

With the arrival of Rodrigues Alves ⁶⁴ and the return of Nieto del Río ⁶⁵ I discussed the question of general procedure with them. We found that we were in agreement and took the matter up separately with Saavedra Lamas yesterday. We assured him we were sincerely anxious to support him but that his present plan seemed to give us nothing to support; that if delay was desirable we felt we should be on safer ground if we could point to committees working. As a result he agreed that the question of exchange and repatriation of prisoners of war be dealt with in the first instance by a small committee and this suggestion was submitted to and adopted by the Conference (my telegram No. 140, July 19, 10 p. m.). However, Saavedra Lamas postponed taking action on setting up any other committees.

The chairman's acquiescence in the appointment of one commission is obviously merely a sop to the Brazilians, Chileans and ourselves.

⁶⁴ José de Paula Rodrigues Alves, Brazilian first delegate.

⁶⁵ Félix Nieto del Río, Chilean delegate.

He made it clear to all three of us that he proposed at all costs to avoid coming to grips with realities for the present and that he still desired the holding of regular plenary sessions. He did suggest, however, that if the members of the Bolivian delegation wished to return to Bolivia to participate in the Presidential campaign he thought we should have to suspend the work of the Conference and any committees for 2 or 3 weeks. Furthermore, he is obviously dallying with the idea of going to Geneva and is torn between the desire to get into the picture and the fear that the League meeting may come to an inglorious end. If the Conference is to do nothing until demobilization is completed it might be desirable for Saavedra Lamas to go to Geneva as his absence would just about cover the demobilization period and afford a good reason for suspending plenary sessions.

As matters now stand the Brazilian and Chilean delegates and I propose, while avoiding joint action or anything that could be regarded as a bloc, to press for committees to do as much of the preparatory work as possible, having already shown that plenary sessions lead to nothing but endless and inconclusive oratory. While our contribution to date may seem very meager I feel that the most we can hope for is to hold the chairman to some consecutive preparatory effort so that when the Conference finally does get to work it can proceed on a basis of prepared reports. Aside from this it is difficult to report any program or probabilities. [Gibson.]

WEDDELL

724.34119/68: Telegram

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

BUENOS AIRES, July 24, 1935—8 p. m.
[Received 9:47 p. m.]

150. From Gibson. Peace Conference met this afternoon in sixth session and discussed manner in which fundamental problem of boundary and territorial questions should be taken up. It was agreed that Bolivian and Paraguayan delegations should in turn and in absence of the other, informally present their points of view to the neutral members of the Conference which would attempt to conciliate these points of view and work out the bases of an agreement if possible. Chairman was left at liberty to call a meeting on fundamental problem before next Wednesday.

It was agreed that next Friday's meeting would be devoted to discussion of the question of submission of responsibilities to International Commission (article I, paragraph 7 of Protocol of June 12th). [Gibson.]

WEDDELL

724.34119/69 : Telegram

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

BUENOS AIRES, July 24, 1935—9 p. m.

[Received 9:55 p. m.]

151. From Gibson. My 150, July 24, 8 p. m. When the question of responsibilities comes before the Conference for discussion on July 26th the chairman plans to suggest that it be submitted to a mixed tribunal composed of five justices of the Supreme Courts of American countries. Bolivia and Paraguay would each choose one of their own justices and one from another American country and the four judges would then select the president from a fifth country. I am informed that when the question arises Paraguay will choose Argentina and Bolivia will select Brazil and that it is probable that the four will ask a member of our Supreme Court to act as president of the mixed tribunal.

I should be glad if the Department could inform me whether any member of our Supreme Court would accept such an invitation. If so, I shall let developments take their course. If not, it is desirable that I take steps to prevent the question from arising.

I should appreciate reply as soon as possible. [Gibson.]

WEDDELL

724.34119/69 : Telegram

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

WASHINGTON, July 25, 1935—6 p. m.

110. For Gibson. Your 151, July 24, 9 p. m. In the past in similar cases when Justices of the United States Supreme Court have been invited to serve in international arbitrations, they have been invited through diplomatic channels, but their acceptance or refusal depends, of course, upon their own inclination. Presumably, if invited, a Supreme Court Justice would inquire whether the President has any objection to his acceptance of the invitation. In the contingency referred to by you, I can see no reasons why this Government should interpose any objection and the decision would therefore rest solely upon the willingness of the Supreme Court Justice selected to accept the duties involved. All of the Justices at present are away on their vacations, several of them in Europe, and it is not feasible to obtain any indication of their feeling in the matter. It therefore seems desirable for you to let developments take their course.

PHILLIPS

724.34119/70 : Telegram

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

BUENOS AIRES, July 26, 1935—9 p. m.

[Received 9:30 p. m.]

154. From Gibson. Seventh plenary session of the Peace Conference this afternoon:

1. Failed to approve minutes of the sixth session which were not an accurate summary and ordered them revised.

2. Established definitely that the functions of the committee on the exchange and repatriation of prisoners of war included promotion of agreement on that subject between the contending parties.

(Several despatches giving background on the two foregoing points forwarded by air mail today.)

3. Set up committee of one representative of each of the ex-belligerents and three neutrals, latter representing Brazil, Peru and Uruguay, to make recommendations concerning formation of international commission to which question of responsibilities is to be submitted for opinion under article I paragraph No. [7?] of the Protocol (chairman did not make suggestion covered by my 151 of July 24, 9 p. m.)

4. Decided that neutral members of Conference should hear both parties successively on fundamental question at next Wednesday's session. It was decided by lot that Paraguay will make first presentation. [Gibson.]

WEDDELL

724.34119/80 : Telegram

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

BUENOS AIRES, July 29, 1935—10 p. m.

[Received July 30—2:17 a. m.]

156. From Gibson. Since my telegram No. 141, of July 20, 8 p. m., we have been kept fully occupied but the course of events has been so erratic that I have felt that the Department would not wish to be burdened with detailed telegraphic reports since the chairman's almost daily changes of front would deprive these of value. However, it may be well to submit the following summary of recent developments:

2. On July 19th a committee was set up to deal with prisoners of war. First meeting on July 23rd indicated possibility of agreement on the basis of a compromise proposal which I submitted to the logically neutral members. On the 24th when we were on the point of sounding the parties Nieto del Río and I had a chance meeting with Saavedra Lamas who, before learning of our plan, burst forth in an alarmingly

violent tirade against seeking any solutions at the present time. He said that he proposed to precipitate a conflict of the opposing points of view on the fundamental territorial question and that we must hold all subsidiary problems in abeyance to be used as bargaining points to bring about final agreement. This was a complete reversal of his previous stand and in disregard of the views which had been expressed to him by various delegates. He revealed himself as openly pro-Paraguay; said that we must recognize that Paraguay had won the war, that Bolivia must pay reparations and that if war indemnity were fixed at sufficiently high sum, concessions might be purchased from former which would bring about general agreement. On our objection that we were proceeding on the ground that there was neither victor nor vanquished and that the question of responsibility and reparations remain to be settled by a tribunal, he said that this was mere humbug for oratorical purposes and that we must face the realities. In spite of recent representations to him he again maintained that the United States and Chile should make material contributions to the settlement, the United States in the form of a reconstruction loan to both parties, and Chile in a "noble gesture" which was an obvious allusion to a Pacific port. Naturally I did not fail once more to make clear the Department's position in definite terms.

3. He went on to say that the committee on prisoners of war must not seek solution and it was charged merely with reporting on the applicable principles of international law. His statements were in the form of peremptory orders in complete disregard of facts and his voice was shrill and at times hysterical.

4. After pressing our point of view without apparent success we got Rodriguez Alves to take the matter up informally on the following day when he found that the chairman had again reversed himself in characteristic fashion and said that he was ready to go ahead on the very grounds we had advocated. In the meeting which followed this interview he took the line he had promised and in the ensuing debate the Brazilian and Chilean delegates and I also advocated the idea of informal proceedings in order to get our views clearly on the record. We were supported by the Bolivian and Paraguayan delegations.

5. In the minutes of the meeting the chairman's remarks were given in full and our share of the debate completely deleted. They also referred to the committee on prisoners of war as "the special committee designated for the study of matters concerned with the exchange and repatriation of prisoners, in their juridical aspect."

6. (All of the foregoing reported fully in air mail despatches sent the day before yesterday.)

7. There was general indignation among the delegates at the tricky methods of the chairman and at the meeting on the 26th the Brazilian delegate and I took a firm stand that the minutes could not be ap-

proved until they were amended to give a true picture of the proceedings. The chairman gave in without argument and blamed the Secretary General for what had happened.

8. I then brought up the subject of the terms of reference of the committee and the chairman, sensing that the Conference was of one mind, crumpled up and stated clearly that the committee was charged with the whole subject of prisoners of war, including the steps taken for agreement.

9. As a result of the eccentric methods of the chairman we have been kept busy but have achieved nothing. Under present conditions there is little prospect of early accomplishment and I cannot but feel that our chances of success grow progressively less favorable with the passage of time.

10. At present the chairman seems to have but one definite plan—to drag the Conference out as long as possible without attempting anything. It is his chief subject of conversation; he alludes frequently to the length of the Leticia Conference⁶⁷ and the possibility that this one may last for a couple of years. After first advocating that the tribunal on responsibility and reparations sit in some distant capital as a convenient expedient to expedite discussion here which might prejudice agreement, he now openly proposes to have it sit in Buenos Aires concurrently with this Conference in order that we may “influence” its deliberations and decision.

11. After daily contact with the members of the Conference since June 9th my impressions may be reliably summarized.

(a) The Bolivian and Paraguayan delegates appear reasonable and desirous of prompt discussions with a view to early agreement.

(b) The other members of the Conference express themselves as ready to go ahead.

(c) The only factors working against this are the internal Bolivian political situation and the strategy of the chairman.

12. It will obviously be impossible for any definite agreement to be reached until the Bolivian situation is settled but the preliminary presentation of the contending parties' points of view can properly be undertaken without delay.

13. Saavedra Lamas desires a solution but only on condition that he appear as its sole author. We are continuing in our efforts to convince him that he can have all the credit, that our only interest is in reaching a satisfactory solution and that we will support him in any steps in that direction. We have managed to maintain friendly personal relations with him and feel that our best hope lies in keeping him on the rails as far as this can be done, opposing him only when his trickery is too flagrant, and in urging him on in the right direction.

⁶⁷ See pp. 199 ff.

14. The Brazilians and Chileans have cooperated in this general policy but the Peruvians and the Uruguayans have not responded to overtures for investigations and action. Peru and Uruguay are represented by their local Ambassadors (except for occasional participation of Maninirios [*Manini Ríos*]⁶⁹ who seems to take little interest). Their position as diplomatic representatives regularly accredited to the Argentine Government coupled with their lack of force and ability makes them tend to be subservient to Saavedra Lamas. Typical of their timidity it may be mentioned that Peruvian Ambassador absented himself from seventh plenary meeting on the ground that he could not be present at so delicate a discussion as that on setting up a tribunal to deal with the question of responsibility.

15. It is possible, in view of the colorless role of the Peruvians and Uruguayans, that there may later be talk of an American-Brazilian-Chilean bloc. Nothing of the sort has appeared as yet. We are alive to this danger and scrupulously avoid anything which could be interpreted as joint action.

16. It seems clear that we should continue in session until we have succeeded in obtaining a general discussion of the territorial question and tried to reach agreement about prisoners of war. When that is accomplished, if the chairman still maintains that nothing can be done until after the completion of the demobilization, it would be wise to adjourn all meetings until we are ready to get to work. When we come to real work the chairman's mischievous activities will be an unavoidable hazard but if there is to be a period of 6 weeks or more of deliberate delay, it would be well to avoid unnecessary risks by a recess. Experience has shown that under present circumstances practically all our time and effort are devoted to straightening out the tangles created by the chairman.

17. I feel this entire situation should be reported now in order that the Department may be fully advised in the event that it later becomes desirable to take action looking to a recess. [Gibson.]

WEDDELL

724.34119/81 : Telegram

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

BUENOS AIRES, July 31, 1935—midnight.

[Received August 1—2:31 a. m.]

161. From Gibson.

1. In eighth session today neutrals of Conference heard presentation of Paraguayan and Bolivian point of view on fundamental ter-

⁶⁹ Pedro Manini Ríos, Uruguayan delegate.

ritorial question successively. It was agreed that both presentations should be kept secret and that there should be no minutes.

2. Paraguayan chief delegate took the intransigent stand that the entire Chaco belongs to Paraguay which must insist on its title. He later stated under pressure that he would be prepared to consult his Government regarding any formula neutrals might suggest. He indicated however that Paraguay would under no conditions consider allowing Bolivia to have a port on the Paraguay River. Instead of presenting historical statement he distributed for background purposes a printed document submitted to the 15th assembly of the League of Nations in September, 1934.

3. Bolivian chief delegate made a lengthy oral statement of his country's historical position. He then stated that Bolivia would be willing to consider a direct agreement based on the line of occupation prior to the outbreak of hostilities with the condition that the west bank of the Paraguay River north of a point 3 leagues north of Fort Olimpo should go to Bolivia, Paraguay being compensated by territorial concessions elsewhere. He insisted that Bolivia must have at least this access to the river, failing which he preferred to give up the idea of direct agreement and submit entire question to arbitration, reserving the right in this event to present Bolivia's claim to the entire Chaco. He asserted that even if the arbitral award went against Bolivia it would be accepted whereas the Bolivian people would not acquiesce in giving up their claim to an outlet on the Paraguay River under a direct agreement.

4. The chairman took Elío rudely to task on the ground that under the terms of the Protocol of June 12 he had no right to say what his country would and would not accept in a direct agreement—this in spite of the fact that Elío had been most conciliatory in contrast with Zubizarreta.

5. In adjourning the meeting the chairman announced that there would be no further meetings to discuss this question for 2 weeks in order that we might have time to consider the statements that had been made. For all practical purposes we could continue the discussion tomorrow. Chairman added that there would be a meeting on August 2nd to hear the report of the Committee on Setting up the Tribunal on Responsibilities and that on August 9th a report would be expected from the Committee on Prisoners of War. In other words this is a continuation of his policy of keeping up an illusion of activity without coming to grips with the work. [Gibson.]

WEDDELL

724.34119/82 : Telegram

The Chargé in Paraguay (Thurston) to the Secretary of State

ASUNCIÓN, August 1, 1935—10 a. m.

[Received 12:37 p. m.]

53. I have been informed by President Ayala that in view of the good will displayed by the Bolivian officials during the several interviews with Paraguayan officials that have occurred in the Chaco since the cessation of hostilities; and in view of the apparent dominant position in Bolivian affairs occupied by General Penaranda, he has authorized General Estigarribia to discuss with the latter the question of the boundary between the two countries. Should a basis for an agreement on this fundamental issue be arrived at it will be submitted to the Buenos Aires Peace Conference.

In order to contribute to the development of a better feeling which might further negotiation all Bolivian doctors among the prisoners held by Paraguay are being released and similar action with respect to students is contemplated.

Not repeated to Buenos Aires.

THURSTON

727.34119/83 : Telegram

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

BUENOS AIRES, August 2, 1935—9 p. m.

[Received 10:50 p. m.]

163. From Gibson. Ninth session held this afternoon.

1. Minutes of sixth, seventh and eighth meetings approved.

2. A telegram was read from the Neutral Military Commission stating that demobilization was proceeding more than twice as fast as scheduled 10,000 Bolivians and 70,000 Paraguayans having been demobilized.

3. Committee on Formation of International Commission on Responsibility (my 154 July 26, 9 p. m., paragraph 3) submitted draft resolution which has been accepted by Bolivian and Paraguayan delegations *ad referendum* to their Governments. Tribunal would be composed of three neutral judges chosen as indicated in my 151 of July 24, 9 p. m. There would be no Bolivian or Paraguayan judges. As this resolution may be subject to considerable redrafting I shall not telegraph it.

4. Instead of discussing the draft the entire time of the meeting was consumed in a discussion provoked by the Peruvian delegate who opposed the constitution of this commission and insisted that the deli-

cate question of responsibility should not be taken up until after the fundamental territorial question was settled. [Gibson.]

WEDDELL

724.34119/84 : Telegram

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

BUENOS AIRES, August 3, 1935—midnight.

[Received August 4—11:35 p. m.]

164. From Gibson.

1. Saavedra Lamas and Rodriguez Alves lunched with me today and spent 3 hours discussing Conference problems.

2. Ayala has told Argentine Minister at Asunción he plans to meet President of Bolivia between August 8 and 11 in the hope of finding a direct solution of the territorial question. No mention was made of the possible discussion between commanding generals referred to in Thurston's recent telegram.

3. I impressed on Saavedra Lamas that this impending meeting of the Presidents to discuss the fundamental territorial question rendered imperative prompt action by the Conference on the two secondary questions of prisoners of war and tribunal on responsibility; that if we could waive [*reach?*] agreement on these questions and make it public we should create an atmosphere favorable to agreement by the Presidents, whereas if the Presidents reached an agreement on the fundamental question at a time when we had accomplished nothing, after months of negotiation, publicity and festivities, our Conference would clearly appear to be a fizzle.

4. Saavedra Lamas became enthusiastic about immediate action and said that we must make a concerted effort to settle both problems without delay.

5. He adopted for his own use a draft agreement for the exchange and repatriation of prisoners of war which I drew up for him and is to discuss it with the Paraguayan delegation tomorrow in an effort to secure their acceptance. If they accept, believe there will be no great difficulty with the Bolivians. Apparently the chief instance of difficulty is their (Paraguayan) desire to hold the prisoners as a hostage for the discussion of the territorial question and we impressed on Saavedra Lamas that he was the only one who could make them see reason on this point.

6. We agreed to talk with the Peruvian delegate separately in the hope of persuading him to abandon his obstruction to the tribunal on war responsibility. If this does not suffice, Saavedra Lamas says he will be obliged to make representations to the Peruvian Government,

convinced that Concha ⁷⁰ has too true an understanding of the role of a mediator to countenance opposition to an agreement reached between the parties.

7. Saavedra Lamas brought up the various regional questions referred to in article I, paragraph 5 of the Protocol, maintaining that we should not disband until we had built up a comprehensive regime for the rehabilitation of both countries. Rodriguez Alves and I impressed on him that in our opinion, which was shared by others, these questions were not susceptible of treatment by this Conference. As Saavedra Lamas made still another allusion to American financial help, I took occasion to go into the question fully and said it would be most unfortunate if the subject were broached in Conference, committee or otherwise, as I should be obliged to deal with the matter in plain language possibly pointing out that this warning had already been given; that any proposal made in the Conference could do no possible good and might readily prove embarrassing to those who made it. I said that I counted on him to see that this contingency did not arise and he assured me that he would do his best.

8. He then said we might furnish financial experts to help both countries put their houses in order. I replied that if either or both countries approached our Government directly, they would doubtless find a readiness to help them in choosing the right man but that this was not a matter which could be handled by the Conference.

9. Rodriguez Alves then stressed the Brazilian view that these were regional or bilateral problems; he said Brazil was prepared to discuss with both Bolivia and Paraguay the granting of transit and port facilities but that this could not be done in Conference. Saavedra Lamas said that as these questions were raised in the Protocol they should at least be examined and form the subject of Conference resolutions. We expressed our doubts on this subject and left it at that.

10. Saavedra Lamas said that we could not hope for direct settlement of the territorial question as Bolivia insists on a port on the Paraguay River and that this could not be granted by Paraguay. He said that the only solution would be to recognize that Bolivia was the aggressor and impose on her a sum of reparations high enough to induce Paraguay to grant access to the river. Rodriguez Alves and I objected definitely to prejudging the question of responsibility as we had set up a tribunal to examine this question, but Saavedra Lamas insisted there could be no doubt of Bolivian aggression and said quite calmly that he made no secret of his pro-Paraguayan sympathies.

⁷⁰ Carlos Concha, Peruvian Minister for Foreign Affairs.

11. Espil⁷¹ has reported a suggestion from the Department of a further conference⁷² to deal with machinery to avert further American wars. Saavedra Lamas replied that in his opinion it would be a mistake to consider this subject before we had settled the present conflict. After this is achieved he considers a general conference desirable.

12. We have agreed on a series of consultations together and with other members of the Conference in the hope of expediting agreement. For the moment there seems to be distinctly more hope of action than at any time in the past, but the Department will realize of course that all this is subject to change without notice. [Gibson.]

WEDDELL

724.34119/94 : Telegram

The Chargé in Paraguay (Thurston) to the Secretary of State

ASUNCIÓN, August 7, 1935—11 a. m.

[Received 7:45 p. m.]

54. My 53, August 1, 10 a. m. Having received from Ambassador Gibson a telegram stating that the Argentine Minister for Foreign Affairs had heard that the Presidents of Paraguay and Bolivia were to meet between August 8 and 11 to discuss the territorial question but apparently had heard nothing of bringing the military leaders into the negotiations, I called upon President Ayala last evening and inquired concerning the results of the conversations between Generals Estigarribia and Penaranda and the report (published in the morning papers) that he would hold a meeting with President Tejada Sorzano.

President Ayala replied that General Estigarribia had reported that his conversation with General Penaranda had been most satisfactory. Although the President did not explicitly so state, his subsequent remarks indicated that the purpose of the conversations was to ascertain whether agreement exists as to the necessity and feasibility of an immediate and definite settlement of the boundary question and that agreement on this point does exist. In the meanwhile the President has been urged by Argentina, ostensibly in the person of General Martinez Pita,⁷³ to meet with the President of Bolivia and has indicated his readiness to do so. He is however, he

⁷¹ Felipe A. Espil, Argentine Ambassador to the United States.

⁷² See section entitled "Preliminaries to the Inter-American Conference for the Maintenance of Peace To Be Held at Buenos Aires in 1936," pp. 1 ff.

⁷³ Rodolfo Martinez Pita (Argentine), Chairman of the Neutral Military Commission.

said, apprehensive that the Bolivian President will present a demand for a port on the Paraguay or some other unacceptable claim and he is accordingly unwilling to hold the meeting until he is assured that Sorzano is prepared to discuss with him the one paramount question of the boundary. I inferred that negotiations designed to bring about a meeting on this basis are under way probably between Estigarribia and Penaranda.

In the course of the conversation the President made the following remarks:

(a) All other features of the peace negotiations are secondary to the boundary settlement and if that can be arrived at Paraguay will be disposed to modify its stand on some points, notably the question of responsibility—which it would drop:

(b) If boundary agreement is not reached through direct efforts he foresees failure of Buenos Aires Conference.

(c) Paraguay will not cede territory it now occupies. Adjustments may become possible in the future but are impossible now. Repeated to Buenos Aires.

THURSTON

724.34119/95 : Telegram

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

BUENOS AIRES, August 11, 1935—9 p. m.
[Received August 12—1:30 a. m.]

168. From Gibson. After exhaustive discussions and the elaboration of a number of tentative texts submitted to the delegates of the contending parties for consideration and comment, the Prisoners of War Committee of which I am chairman, last night completed a draft agreement which Bolivian and Paraguayan delegates have referred to their Governments.

The Bolivian stand has been that all prisoners should be returned immediately or at the latest at the termination of demobilization. However, faced by the absolute refusal of Paraguay to concede this, the Bolivians have fallen back on their fundamental desideratum of a clear-cut decision that all prisoners will be repatriated on the reestablishment of peace. Their idea is thus to frustrate the apparent Paraguayan plan to hold the prisoners in order to extort concessions on the territorial question or even for a longer period as hostages against possible Bolivian aggression.

Paraguay has desired a man-for-man exchange to recover all prisoners held in Bolivia and has insisted that release of the balance held in Paraguay could not be entertained until the passage of time had allayed public passions and had made Bolivian intentions clearer.

The substance of the draft may be summarized as follows:

(a) It contains the declaration desired by Bolivia but this is toned down to meet Paraguayan desires (reference is for that reason purposely made to the reestablishment of peace, an indefinite term, instead of to the termination of war, the time for which is definitely established in article 3, paragraph 4 of the Protocol).

(b) Exchange, preference being given to students, is agreed upon as desired by Paraguay with the exception of a few hundred men Bolivia wishes to hold as a matter of principle against the far greater number held in Paraguay.

(c) In addition both agree to the return of all sick, disabled and men of over 50.

(d) The Conference will continue negotiations looking to the return of the remaining prisoners as soon as demobilization is completed.

(e) Reimbursement of advances, costs, etc., will be in conformity with the provisions of the Geneva Convention of 1929.⁷⁴

(f) Restoration of diplomatic relations as soon as war is declared at an end by the Conference (this with the purpose of making easier the eventual acceptance by Paraguay of the idea that peace will then also be reestablished).

Some 2,000 prisoners from Bolivia and between 5,000 and 6,000 from Paraguay would thus be immediately returned and the repatriation of the remainder ensured within a reasonable, although unspecified period.

The agreement has been drafted with the greatest care to balance one concession against another and modifications of substance by one or the other party would destroy the entire structure. Unless the two Governments accept without material change this draft which we consider eminently fair to both and which contains the maximum which can now be obtained, it is difficult to see any other way of meeting the situation.

The Argentine Government is telegraphing to La Paz and Asunción urging acceptance of the draft without change. The Brazilian and Chilean delegations are requesting their Governments to take similar action. I trust that in view of the foregoing the Department will feel justified in expressing its hope that Bolivia and Paraguay will see their way to accept the agreement as it stands in order that the Conference may have some accomplishment to its credit and approach the fundamental territorial question with greater confidence.

The importance we all attach to this matter is to be found in the belief that if at this stage of the Conference we are unable to ratify agreement on a secondary question, even in this attenuated form, there will be no hope of dealing successfully with the fundamental problem.

Repeated to La Paz and Asunción for their information. [Gibson.]
WEDDELL

⁷⁴ *Foreign Relations*, 1929, vol. I, p. 336.

724.34119/96 : Telegram

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

BUENOS AIRES, August 11, 1935—11 p. m.

[Received August 12—2:42 a. m.]

169. From Gibson.

1. The past week, the busiest and most critical since the Conference started, has been devoted to efforts to produce an agreement for the exchange and repatriation of prisoners of war.

2. The draft agreement mentioned in paragraph 5 of my 164, August 3, midnight was torpedoed by Saavedra Lamas in that he presented it to the Paraguayans as an American proposal about to be introduced in the Conference rather than as an informal feeler. They took it as an attempt to impose the Bolivian thesis and rather lost their balance. Since then the week has been a series of alarms and excursions.

3. The points of view of the two contending parties on the question are at first sight irreconcilable and the task has been made the more difficult by deeply rooted mutual suspicion between the parties, their tendency to discuss developments with outsiders and unfortunate newspaper publicity.

4. Luckily the other neutral members of the Committee on Prisoners of War, Ruiz Moreno and Nieto del Río, are able and conciliatory. In an endeavor to get the best talent by temperament and experience working jointly on the problem we asked Rodrigues Alves and Podestá Costa to sit in with us.⁷⁵ This has served the added purpose of deferring to the chairman by having the other two Argentine delegates among our number.

5. We worked throughout the week and were in practically continuous session in my office all day Friday and Saturday. We submitted a number of drafts to one and the other party, ascertained their objections and tried to meet them. My telegram No. 168 of August 11, 9 p. m., outlines the formula which we finally evolved last evening and which they have now referred to their Governments.

6. Our group has worked in complete unity and we are all of the opinion that the solution we have suggested presents the only possible way of conciliating the two totally divergent points of view of Bolivia and Paraguay. Both parties were for a time suspicious of us as well as of each other but they appear now to have confidence in us.

7. Agreement on the responsibilities tribunal seems assured unless failure to conclude agreement on prisoners of war should lead to change in Bolivian attitude. If both can be adopted in the near

⁷⁵ Isidoro Ruiz Moreno (Argentina), Félix Nieto del Río (Chile), José de Paula Rodrigues Alves (Brazil), Luis A. Podestá Costa (Argentina).

future the decks will be cleared for action on the territorial problem. The treatment of this question calls for careful consideration. The Paraguayans state very plainly that they will make no territorial concessions now, will not even discuss Bolivian access to the Paraguay River, and that as they have no confidence in the Permanent Court of International Justice they doubt the possibility of an arbitral agreement.

8. Saavedra Lamas keeps repeating his view that it would be a mistake to come to grips with the territorial question and says that we must keep the discussions going indefinitely to gain time until conditions are more favorable, frequently alluding to the possibility of keeping the Conference in session for 2 years. As a practical matter it is hard to see how this can be accomplished. In view of the rigid Paraguayan stand there is obviously no material for a long series of plenary debates. Some time might be consumed by informal discussions of the sort we have been carrying on in regard to prisoners, first among the mediators and then alternately with one or the other of the parties. Saavedra Lamas would undoubtedly desire to conduct such conversations himself and it is difficult to see how they could go on indefinitely or lead to agreement under present conditions.

9. If a committee is set up to deal with the territorial question I feel it would be preferable for me to avoid acceptance of membership. This would not preclude my cooperating or sitting with the committee whenever desirable, as the Brazilian delegate has done with the Prisoners of War Committee, and I should probably be in a better position to help if I were to reserve my efforts for crucial moments when my advice or assistance is needed.

10. Once the prisoners of war question is out of the way, either through acceptance or rejection of our plan, it will be clear from the foregoing that the Conference can hardly be expected to do anything substantial for some time. Under these circumstances I fear I would only be frittering away my influence if I remain to help improvise measures to simulate activity. The Department will recall that I have now been absent from my post for over 10 months. Unless, therefore, unforeseen prospects of accomplishment are revealed, I believe it would be wise both as regards the Conference and my Embassy if I were to return to Rio de Janeiro at an early date. I should, of course, make it clear that this absence was temporary but I none the less think it advisable. I do not hesitate to propose this as Dawson⁷⁶ has sat in on all discussions, is on excellent terms with the delegates and can keep the Department informed and recall me when

⁷⁶ Allan Dawson, assistant to the American representative, Chaco Peace Conference.

desirable. If the prisoners of war agreement is concluded or rejected by that time I might leave for my post on Thursday's plane.

11. I consider it desirable to make clear that I have thus far succeeded in keeping on cordial relations with Saavedra Lamas. [Gibson.]

WEDDELL

724.34119/95 : Telegram

*The Secretary of State to the Chargé in Paraguay (Thurston)*⁷⁷

WASHINGTON, August 12, 1935—5 p. m.

15. Reference Gibson's 168, August 11, 9 p. m. to the Department. Please express orally to the Foreign Minister the hope of this Government that the Paraguayan Government will see its way to accept without change the agreement on prisoners of war, which seems eminently fair to both sides.

HULL

724.34119/105 : Telegram

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

BUENOS AIRES, August 12, 1935—11 p. m.

[Received August 13—1:32 a. m.]

173. From Gibson. My 168 August 11, 9 p. m. and 169 August 11, 11 p. m. In further negotiations Paraguayans have asked for certain changes which could I think be reasonably met. They also objected to the resumption of diplomatic relations at this time.

This afternoon while our group was in conference in my room Bolivian Chief Delegate called and handed me a formal note proposing fundamental changes; first, suppression of provisions for exchange outlined in paragraph (b) of my 168; second, to change article as to continued negotiations for remaining prisoners described under paragraph (d) to provide that on declaration that war is at an end all prisoners shall be repatriated in such proportions that the last Bolivian prisoner shall be released at the same time as the last Paraguayan prisoner. In conclusion the note states that if these modifications are not accepted he has instructions from his Government to ask that the question of prisoners be deferred until the Conference has declared the war at an end "as once this has been declared there will be no further reason for retaining a single prison camp in either of the two interested countries."

⁷⁷ The same, *mutatis mutandis*, August 12, 5 p. m., to the Minister in Bolivia, as telegram No. 24.

Elío further stated that this was final as public opinion in Bolivia would not acquiesce in the acceptance of our draft proposal, that this was shown by protests at a meeting of the Bolivian Congress on Saturday afternoon.

We went over the whole subject with Elío, pointing out to him the gravity of the step he was taking in rejecting an agreement which secured the declaration of principle he desired and the immediate repatriation of over 5,000 Bolivians together with a series of provisions which were calculated to expedite the return of the remaining prisoners; that if after the publicity given to our discussions by Bolivia we were to fail to reach agreement it was difficult to see how we could approach the fundamental question with any hope of success. We also stressed the gross impropriety of Bolivian congressional manifestations on or even knowledge of informal confidential conversations now under way in Buenos Aires.

Elío remained unmoved but some of the group feel they may be able to draft a substitute resolution which will salvage something. We are to meet for that purpose tomorrow morning but I fear we must face failure of this negotiation. [Gibson.]

WEDDELL

724.34119/106: Telegram

The Chargé in Paraguay (Thurston) to the Secretary of State

ASUNCIÓN, August 13, 1935—11 a. m.

[Received 12:35 p. m.]

55. I conveyed the substance of the Department's number 15, August 12, 5 p. m., to the Acting Minister for Foreign Affairs this morning. Doctor Prieto stated that the draft agreement has not yet been received but that he will instruct the Paraguayan delegation by telegraph to forward it at once. Upon its receipt he will discuss the subject with President Ayala and inform me thereafter of the attitude of the Paraguayan Government.

Repeated to Buenos Aires.

THURSTON

724.34119/109: Telegram

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

LA PAZ, August 13, 1935—5 p. m.

[Received 8:30 p. m.]

50. Department's telegram No. 24, August 12, 5 p. m.⁷⁸ was read to the Sub-Secretary of Foreign Affairs 10 a. m. and discussed with

⁷⁸ See footnote 77, p. 118.

Foreign Minister at 5 p. m. It was evidently to be considered by the President and his Cabinet at 5 p. m. today.

Foreign Minister showed me Government informal [note?] to Elío dated August 10th informing him of heated discussions in Chamber of Deputies criticising failure to obtain liberation of prisoners and that Bolivian Government interprets spirit of Protocol to mean exchange of Bolivian prisoners for Paraguayan prisoners *in toto*, not "a head for a head." He also showed me a telegram from Elío August 8th summarizing Gibson's original plan which Foreign Minister states is fully acceptable to Bolivia but prefers that the whole matter be held over than settled on the basis of August 11th proposal since army command in the Chaco as well as the Chamber of Deputies insists upon complete exchange or none. La Paz press has also given considerable space urging the early return of all prisoners.

Reference Buenos Aires' August 12, 10 p. m. received here August 13, 11 a. m., Chamber of Deputies had heated discussions Saturday afternoon criticising Government's failure to obtain return of prisoners. Monday Foreign Minister was called before the Chamber in executive session to report on the progress of the Conference. No specific proposal from Buenos Aires publicly discussed.

Chilean Minister called on Foreign Minister at 3 p. m. today. Representatives of Brazil and Argentina have not yet called.

Repeated to Buenos Aires.

DES PORTES

724.34119/110: Telegram

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

BUENOS AIRES, August 13, 1935—midnight.

[Received August 14—4:23 a.m.]

174. From Gibson. My 173, August 12, 11 p. m.

1. Situation has today been further seriously complicated by the Bolivian delegation.

2. In several discussions with Elío in the course of the day it was made clear to him that the conditions he had put in his formal note could not be met; that we saw no further possibilities of adjustment; that in view of the conclusion of his note there was no scope for further action by the committee; and that the whole subject would have to be reported back to the Conference. In spite of this he stated his desire that the note be maintained.

3. Elío called on Saavedra Lamas before lunch and handed him a further note in which he stated that he had "special instructions" from his Government to say that Bolivia was not prepared to agree at this time on the constitution of the war responsibilities tribunal

which must be put off until the fundamental question had definitely progressed toward solution. Bolivian stand based on proposal of Peruvian delegate reported in paragraph 4 of my 163, August 2, 9 p. m.

4. As a result of numerous conversations it seems clear that this change of front is due to discord in the Bolivian delegation where there is a complete break between Elío and Saavedra with the result that anything conciliatory Elío does from now on will be under attack in Bolivia. His insistence on having the Conference debate the territorial question now, in spite of his frequently expressed opinion that agreement is impossible, makes it appear that he is looking to his political fortunes rather than the success of the Conference.

5. As a result of Bolivian obstacles to reaching an agreement on prisoners of war and responsibilities tribunal the Conference is now faced with the territorial question under distinctly unpropitious conditions in that both parties recognize direct agreement by the Conference is highly improbable and agreement on terms of arbitration almost equally difficult. Both parties insist that the Conference remain in session without adjournment. The problem is, therefore, to keep the Conference alive without reaching a deadlock as stated in my 169, August 11, 11 p. m. Already deadlock and failure are to be anticipated if question is dealt with in plenary session, committee, or even informal conversations.

6. After discussing various ways of meeting the situation this afternoon with Saavedra Lamas and members of our prisoners of war group, I suggested that we might ease the situation and gain time by resorting to the method that was followed in the preliminary soundings and that Nieto del Río and Podestá Costa might again visit La Paz and Asunción. Their visits could be explained to the press on the ground that the Conference as a matter of courtesy wished to send certain of its members to acquaint the two Presidents with what had transpired up to this time in the hope that this would facilitate discussions we understood were shortly to take place between them. Out of deference to the Presidents the Conference would have a recess until after their meeting.

7. The real purpose of the visit would be to have a plain talk with both Presidents pointing out that their Governments had signed and ratified a Protocol entrusting a definite mandate to the Conference; that in every question we had approached thus far, even where the delegates had expressed themselves in agreement with us, they had almost invariably produced obstructive instructions from their Presidents or their Governments; that the Conference was daily faced with explanations that this or that proposal could not be accepted because the President or Congress did not agree or the press was aflame or

public opinion was rebellious; that the Presidents must realize that this created an impossible situation for the negotiators and that they had been sent under guise of a courtesy visit to make it plain that we must ask for a more helpful attitude on the part of the Bolivian and Paraguayan Governments.

7. [8?] This suggestion met with acceptance but I suggested that it be given further thought pending another meeting that we are to hold at the Foreign Office tomorrow afternoon. It may be in the nature of administering oxygen to the patient but for the moment I can see no other means of gaining time in the hope that the military commanders who have thus far shown more sense and generosity than the delegations may have a wholesome influence [on?] meeting of the Presidents.

There will be no plenary meeting tomorrow but private consultation with all delegates and a plenary on Friday (without the Bolivian or Paraguayan delegations) to hear a report from the Prisoners of War Committee and Elío's communication on responsibility. [Gibson.]

WEDDELL

724.34119/111 : Telegram

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

BUENOS AIRES, August 14, 1935—3 a. m.

[Received 4:55 a. m.]

175. From Gibson. I think it advisable to make clear the situation in regard to proposals for the exchange and repatriation of prisoners of war which has been misinterpreted in some quarters.

Last week the Prisoners of War Committee drew up a number of tentative drafts which were submitted to one or the other party for comment in an endeavor to elicit the exact positions of each and the maximum of concessions we could hope for. As a result the group on August 10th prepared a draft reported in my 168, August 11, 9 p. m., which was accepted by both delegations as offering a basis for submission to their Governments. After this acceptance in principle the August 10th draft became the one and only proposal which has been made by the Committee to them and as to this there is no possible misunderstanding on the part of either of the parties.

The Department will recall reference in paragraph 5 of my 164, August 3, midnight, to a first draft entrusted to Saavedra Lamas for his use in informal sounding of the Paraguayans. As reported in paragraph 2 of my 169, August 11, 11 p. m., this was rejected by the Paraguayans. Only later did its existence become known to the Boliv-

ians through a slip by Saavedra Lamas who referred to it as a "Gibson proposal".

During the course of the negotiations Elío has several times expressed a desire to reach agreement on the basis of this document or selected portions of it particularly fitting the Bolivian thesis, referring to it on each occasion as the "Gibson proposal". (In this connection he has concentrated on the expression in its article 1 of the principle that all prisoners of war held in either country should be repatriated, overlooking the fact that no time limit for the operation was stipulated and that article 2 included a joker to the effect that repatriation would be under the supervision of the Neutral Military Commission in agreement with the high commands.) On each occasion I explained to him in the presence of the group that the document was nothing more than a preliminary draft which was not under consideration, had never been submitted to him and had been rejected by the Paraguayans *in toto* before he ever heard of it.

In spite of this there seems to be a determined Bolivian effort to capitalize this first draft as an American proposal supporting the Bolivian thesis as distinct from the Committee's proposal of August 10th conciliating the two opposing points of view (see for example telegram No. 50, August 13, 5 p. m. from the Legation at La Paz to the Department).

On August 11th *La Prensa* of Buenos Aires carried an article obviously inspired by the Bolivian delegation to the effect that, despite an emphatic denial of the report made on behalf of the Prisoners Committee, it was reliably informed that I had presented a proposal providing for the immediate return of all prisoners which was acceptable to the Bolivians but that another proposal had been made providing for only partial exchange.

The chairman [of the?] Conference today received a telegram from the chairman of the Neutral Military Commission reporting a request from the President of Bolivia asking that the Commission endeavor to secure the acceptance of the "Gibson proposal". General Martinez Pita added that he recognized that consideration of this was not in the province of the Commission and that he therefore limited himself to transmitting the information. At my request the President of the Conference is sending a reply drafted with me giving the essential facts. I propose to have a clear understanding with Elío tomorrow in an endeavor to put a stop to such maneuvers which in addition to being completely unjustified by the facts merely inject unnecessary complications into the situation.

Substance of this telegram repeated to the Legation at La Paz for use in its discretion with the Government. [Gibson.]

WEDDELL

724.34119/113 : Telegram

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

LA PAZ, August 14, 1935—4 p. m.

[Received 7:40 p. m.]

51. I was informed at Ministry of Foreign Affairs that Cabinet meeting of August 13, 5 p. m., decided to reaffirm instructions to Elío to agree only to complete liberation of all prisoners otherwise Bolivian Government prefers further discussions in this matter be delayed till after 90-day demobilization period. Also that Elío did not refer August 10th draft to La Paz but telegraphed that provisions thereof were so at variance with his instructions that he deemed it unnecessary to submit them.

Reference Buenos Aires' 175, August 14, 3 a. m., confusion concerning draft August 10th and so-called "Gibson proposal" informally explained at Foreign Ministry this afternoon.

Repeated to Buenos Aires.

DES PORTES

724.34119/115 : Telegram

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

BUENOS AIRES, August 14, 1935—midnight.

[Received August 15—5:02 a. m.]

178. From Gibson. My 174, August 13, midnight.

1. Mediatory delegates met Saavedra Lamas at Foreign Office this afternoon to discuss future work of Conference.

2. The chairman and various delegates have talked with Elío who makes it clear that his present purpose is to force discussions on territorial questions to a deadlock and then demand help Conference to secure reference to arbitration.

3. Reports received from Argentine, Brazilian and Chilean sources indicate the [*that?*] political upheavals are imminent in Bolivia, that Elío or any delegate sent to succeed him at this time would be under pressure to think nothing but political situation rather than the question of agreement and that further debates might readily lead to holding up the demobilization which is now proceeding satisfactorily and rather faster than schedule.

4. In view of the political situation in Bolivia it was considered wiser to abandon the idea of sending Nieto del Río and Podestá Costa on the visits mentioned in my 174.

5. It was agreed that for us to acquiesce in Elío's request for immediate disposal of the territorial question would bring about an

early break-up of the Conference, jeopardize the demobilization and prejudice hope of future agreement.

6. After full discussion it was decided that at Friday's meeting without the presence of the Paraguayan and Bolivian delegates a full statement would be made of the work of the Committees on Prisoners of War and Responsibility and that the President would read a letter which he has received from Elío stating that he has special instructions not to go on with these two questions and to press for immediate consideration of the territorial question.

7. In the light of this the Conference will adopt a resolution that, in view of the desires of the Bolivian delegation and the readiness of the Paraguayans to consider the fundamental questions, the mediatory delegates feel the need for a full preliminary study of the documents and information already submitted; that in order to afford them time for this study, no further meetings will be held for a period which will be described in such a way as to make it coincide with the end of the demobilization and the time for the Conference to declare the war at an end. This will, in effect, be an adjournment of a month or 6 weeks but the word recess is avoided in order that the Bolivian and Paraguayan delegations may have no excuse for making difficulties.

8. The decision of the Conference will be communicated to the Bolivian and Paraguayan delegations by the chairman after the meeting in order that they may have no opportunity to make speeches for home consumption.

9. The intention to take this adjournment is supposed to be kept secret until formal announcement is made. [Gibson.]

WEDDELL

724.34119/116 : Telegram

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

BUENOS AIRES, August 15, 1935—4 p. m.

[Received 4:47 p. m.]

179. From Gibson. Statement reported in last sentence first paragraph La Paz's 51, August 14, 4 p. m., to the Department, does not seem to be in harmony with the note from Elío described in my 173, August 12, 11 p. m., which reads in part:

"My Government directs me to inform Your Excellency that it finds itself in accord with the preamble and seven of the nine articles proposed and takes the liberty of suggesting the following changes".

Repeated to La Paz. [Gibson.]

WEDDELL

724.34119/119 : Telegram

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

LA PAZ, August 16, 1935—11 a. m.

[Received 1:05 p. m.]

52. Your [*Gibson's* ?] August 15, 4 p. m. Last sentence, first paragraph my 51, August 14, 4 p. m., based on statement made to me in English in the presence of Muccio⁷⁹ by Director Political Diplomatic Department of Foreign Ministry. That Elío did not submit August 10 draft to La Paz is further indicated by the request of Director in the presence of Acting Foreign Minister for the provisions of the August 10th draft just prior to Cabinet meeting of August 13, 5 p. m. Repeated to Buenos Aires.

DES PORTES

724.34119/122 : Telegram

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

BUENOS AIRES, August 16, 1935—10 p. m.

[Received 11 p. m.]

180. From Gibson. Elío called on me this afternoon and confirmed impression reported in my 178, August 14, midnight, paragraph number 2. He is obviously worried but states that having insisted on the postponement of action on Prisoners of War and Responsibilities Tribunal he now intends to press for plenary discussions of fundamental territorial question. He recognizes this is insoluble by direct agreement. He plans to make this clear and then press for arbitral agreement which he also considers impossible of attainment. Once this is evident he proposes to ask the Conference to declare formally that it has been impossible to find the basis for an arbitral agreement and on the strength of this declaration he will make a unilateral appeal to The Hague Court. He recognizes that even if he could get a judgment on such an appeal it would be useless as long as Paraguay occupies the Chaco but he appears at this time to be looking no further than his internal political situation. [Gibson.]

WEDDELL

⁷⁹ John J. Muccio, Second Secretary of Legation.

724.34119/121 : Telegram

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

BUENOS AIRES, August 16, 1935—11 p. m.

[Received August 17—1:50 a. m.]

181. From Gibson. Tenth session of Peace Conference this afternoon (neutrals without contending parties) may be summarized as follows:

1. Telegrams read from Neutral Military Commission regarding recent visit of Commission to La Paz and progress of demobilization; through August 11th over 30,000 Paraguayans and 18,000 Bolivians had been demobilized.

2. Consideration was given to telegram from the chairman of the Neutral Military Commission mentioned in antepenultimate, of my 175 August 14, 3 a. m.

It was decided that chairman of the Conference should reply approving attitude of the chairman of the Commission.

3. Note read from chief of Bolivian delegation to President of the Conference requesting that question of Responsibilities Tribunal be put off and that "in view of obstacles which have arisen in prisoners question" and since Conference had devoted only one session to the fundamental question, preferential treatment be given to the latter.

4. Resolution was then drafted and approved providing that "plenary sessions be continued as soon as any of the commissions which are now functioning considers that it has arrived at a possible solution of the problem entrusted to it or when the delegations of the neutral countries indicate that they have properly completed their study of the fundamental question" (see paragraph 7 of my 178 August 14, 12 p. m.)

5. Report of Prisoners Committee informing Conference of its inability to promote an agreement between the parties at this time was read. A general debate ensued in which the delegates who had not participated in the work on the prisoners of war question outshouted the others with the result that the consensus of opinion appeared to be that refusal of one of the parties to continue was no reason for stopping the conciliatory work of the Committee. It was finally agreed that the Committee should make an effort to have the parties reach an agreement on the immediate return of all sick and crippled prisoners. Dawson will replace me on this Committee.

6. In other words, to all intents and purposes, we are taking a recess until after demobilization unless something unforeseen occurs. [Gibson.]

WEDDELL

724.34119/140 : Telegram

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

RIO DE JANEIRO, August 27, 1935—midnight.

[Received August 28—3:05 p. m.]

203. The Conference has now reached a point where it is generally recognized that any attempt to deal with the territorial question will lead to a break-up and failure. There can be no doubt on this subject in view of, (1) the uncertain political situation in Bolivia; (2) the cynical Bolivian attitude of seeking to force a break for domestic political reasons and, (3) the unyielding position of Paraguay as regards direct agreement and avowed resistance to submitting the question to the World Court.

Efforts have therefore been concentrated on finding some way of keeping the Conference alive and at the same time avoiding debates while awaiting more favorable developments. This difficulty has been met temporarily by the respectable subterfuge of putting off discussions until after the demobilization. At the end of that period however the same problem will again confront us. We might be able to devise one pretext after another to avoid the issue and gain time but I can not now see how we are to avoid the territorial question for any considerable time unless there are upheavals in Bolivia or other political developments which justify postponement.

In casting about for possible expedients the essential thing is to maintain the peace and defer settlement of the territorial question until it can be solved under favorable conditions.

The chief obstacle to this is a fundamental defect in the Protocol of June 12th: it was stipulated that the parties failing direct agreement should refer the question to arbitration. Paraguay intimates clearly that it will neither make concessions to secure direct agreement nor agree on the terms of an arbitral compromise. There is no provision for this latter contingency aside from the undertaking of the mediators that they will remain in Conference until agreement is reached. Paraguay holds practically all of the Chaco and if she sits tight she creates a deadlock.

A way out might be found by reviving a modified version of a scheme drawn up in June by Cruchaga (my 103, June 25, 10 p. m.)

to persuade the parties to sign an immediate treaty of peace, disposing of the secondary questions and entrusting the territorial question to an international mixed commission.

This suggestion has been given point by the developments of the past few months and I am more convinced now than I was then that if we are to deal with this problem effectively it will have to be through some such mechanism which puts an end to the acute public interest in this region and allows a solution to be worked out under wholesome conditions of a bored public opinion.

What Cruchaga suggested was an international mixed commission on which the parties were represented to devise a form of solution to be submitted to the Peace Conference for the acceptance of the parties failing which the question should go to arbitration. You might care to give thought to the advisability of having the mediatory powers take a definite position and urge upon the parties that they have every interest in entrusting the definite solution of the problem to an international mixed commission of three or five members without representatives of the parties. Such a body made up of practical and experienced men in whom they have confidence could obviously be depended upon to make a solution responsive to real needs instead of a purely legal decision. Both parties would be spared long delays and heavy expense. If the mediatory powers were to take a definite stand the parties might be glad to acquiesce; Paraguay, in order to escape possible resort to the World Court and to be relieved of responsibility for any essential concessions to Bolivia and above all because they know that unless some reasonable solution is accepted they will continue to live in fear of another war; the Bolivians should also be willing because as matters now stand they have little chance of getting any territorial concession and could hope for the face saving solution only through some such settlement.

The best arrangement would of course be to get the parties to agree in advance to accept the solution; failing that they should agree that if the proposed solution was not accepted the Commission would have the power to settle the terms of arbitration.

I am not submitting the foregoing as a proposal but as a thought to be considered.

I feel it would be unwise to broach this subject even confidentially with other governments before the resumption of active work after the demobilization but in the meantime should be glad if you would have it under consideration.

I have discussed the foregoing with Macedo Soares who agrees that it is probably the only scheme which offers hope of a successful solution. He has no alternative plan. However he feels strongly

that it should not be brought forward until the policy of drift has been afforded ample time to prove its hopelessness. In the light of full information he believes that all plans brought forward in the early stages of the Conference will be rejected by one or both parties and that the wise course is to hold this idea in reserve until we feel the time is propitious for bringing it forward.

Cipher text by air mail to Buenos Aires.

GIBSON

724.34119/141 : Telegram

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

BUENOS AIRES, August 28, 1935—4 p. m.

[Received 4:55 p. m.]

191. From Dawson. A new proposal for the solution of the prisoners of war problem was submitted to the Bolivian and Paraguayan delegations on August 21st by the Prisoners of War Committee. While differently worded it was basically the same as the August 10th proposal.⁸¹

Replies were received yesterday from the chiefs of the two delegations who had avowedly consulted their Governments. Both suggested changes in substance which would be unacceptable to the other party and took stands even more extreme than when the August 10th formula was presented to them.

Saavedra Lamas is leaving today for a 10-day vacation in northern Argentina. He held a meeting yesterday evening with the Argentines, Brazilians, Chileans and myself to discuss the Bolivian and Paraguayan replies to the August 21st proposal and the future course of the Conference. He agreed that there was nothing which could be done now on the prisoners of war problem and stated that in view of the failure to reach agreement on the minor problems and the expressed desire of both contending delegations that the fundamental territorial question be taken up he intended to have the Conference tackle the latter on his return to Buenos Aires. I gathered, however, that he expected to try informal conversations first and not immediately resume plenary sessions.

It is the general consensus of opinion among the delegates that there is slight chance of success in dealing with the territorial question. The unwillingness of both Bolivia and Paraguay to compromise their extreme points of view has given little room for mediatory efforts so far and there is no indication of a change in tactics on

⁸¹ See telegram No. 168, August 11, 9 p. m., from the Ambassador in Argentina, p. 114.

the part of either. Saavedra Lamas made one illuminating remark indicating growing realism and pessimism as to the situation; he said that the Conference could not last forever and that if a direct agreement were not reached or an arbitral compromise drawn up within a reasonable time it might be necessary to fill the gap in the June 12th Protocol by an additional agreement providing a definite term of life for the Conference.

Repeated to the Embassy in Rio de Janeiro. [Dawson.]

WEDDELL

724.34119/144 : Telegram

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

BUENOS AIRES, September 2, 1935—9 p. m.

[Received September 3—4: 22 a. m.]

194. From Dawson.

1. Before Saavedra's departure on his vacation he asked the group which dealt with the prisoners of war question to use the period of his absence in sounding out the Bolivians and the Paraguayans on the fundamental territorial problem so that the Conference might be ready to proceed on his return. Consequently Rodrigues Alves, Podestá Costa, Nieto del Río and I have held a number of conferences on the subject with the chairmen of the Bolivian and Paraguayan delegations since August 29. In these we have succeeded in getting them to recede somewhat from their extreme positions and it now seems in the realm of possibility that a solution can be found. The situation is now sufficiently defined to submit a summary although it is, of course, subject to change without notice through the vagaries of those with whom we are dealing.

2. Zubizarreta ⁸² now expresses willingness to consider agreeing on a boundary line which would start from the Otuquis River north of Glacier [*Bahia?*] Negra, leaving the latter to Paraguay, and run to the upper Pilcomayo. This would give Bolivia only a few miles of useless swamp land along the Paraguay River between the Brazilian boundary and the Otuquis but it is at least a hopeful break in the previous Paraguayan insistence that Bolivia should not have a foot of land on the Paraguay River.

3. At the same time Zubizarreta states that Paraguay would be ready to give Bolivia the fullest free port and transit facilities farther south including the use of a contemplated railroad to the international boundary between the two. The Argentines and Brazilians

⁸² Gerónimo Zubizarreta, chairman of the Paraguayan delegation.

have from the first clearly indicated that they would extend similar facilities to Bolivia.

4. Furthermore Zubizarreta has assured us that if an agreement on the territorial problem is reached the prisoners will be immediately returned and has intimated that Paraguay would also be prepared to agree that the question of responsibility and repatriation be dropped.

5. Zubizarreta has been adamant in insisting that Bahia Negra and everything south thereof must remain in Paraguayan possession. He not only refuses to consider giving Bolivia any land in that region but the creation of an international zone or any form of territorial arbitration covering that section even by special American tribunal.

6. While Elío on the other hand has held out for a boundary line from about Fuerte Olimpo to the upper Pilcomayo, he has indicated that he would be willing to concede Paraguayan sovereignty over territory to the south of that line if an arbitral zone were established east of meridian 59 degrees west of Greenwich and between the latitudes of Fort Olimpo and Bahia Negra and if Bolivian sovereignty over the remainder of the disputed territory were accepted.

7. In other words at the present stage of negotiations the territorial differences appear to be reduced to a 55-mile zone along the Paraguay River which Paraguay insists on retaining but Bolivia seems ready to submit to arbitration.

8. While the mediatory group recognizes the extreme difficulty of reconciling these two points of view we hope that continued negotiations may be successful. We are concentrating on trying to break down Paraguayan resistance. If Paraguay would let Bolivia have clear title to Bahia Negra and a few miles to the south, getting in return a larger zone in the interior, or agree to arbitration over a limited zone say from Puerto Leda to Bahia Negra it is probable that Elío would eventually accept. If no progress can be made here Rodrigues Alves and Podestá Costa, who have excellent personal relations with President Ayala and express confidence in his reasonableness, are prepared to go to Asunción in an endeavor to secure his acquiescence in some such arrangement.

9. At the same time we have been trying to impress on the Bolivians that their aspirations for a port on the Paraguay River would be met by the few miles north of Bahia Negra but the uselessness of the land for port construction is too obvious to hope for much success from this.

10. The most optimistic development is that both the Bolivians and Paraguayans express the desire to have the territorial question settled by the end of September when the Conference would normally under article 3 of the June 12 Protocol declare the war terminated. While both still want the solution to be in accord with their stands there is less variance between these than before.

11. The mediators also are anxious for accomplishment and seem disposed to abandon the vacillating course previously pursued and to press for agreement. Before leaving on his vacation Saavedra Lamas had ceased talking of prolonging the Conference indefinitely and appeared to realize that his personal prestige is involved in getting something done as quickly as possible.

12. The Bolivians and Paraguayans have both expressed gratification at the continuance of the informal method of negotiation begun by Ambassador Gibson in the prisoners of war discussions and appear to have confidence in the group which works as a unit and in complete accord. It is, of course, unfortunate that the other neutrals representing Peru and Uruguay have not been taking an active part as some resentment may be aroused. . . .

13. The senior Uruguayan delegate Manini Ríos would probably be a help in the negotiations if he were present but his political position at home seems to require his presence and the opening of the Uruguayan Congress will hardly make it easier for him to take a part. Rodrigues Alves is contemplating sending the second Brazilian delegate Luzpinto to Montevideo to inform Manini of the course of development and request his presence and cooperation.

14. Podestá Costa is keeping Saavedra Lamas who is due back in a week advised of the efforts of the group.

Repeated to the Embassy at Rio de Janeiro. [Dawson.]

WEDDELL

724.34119/154 : Telegram

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

RIO DE JANEIRO, September 3, 1935—7 p. m.

[Received 10:50 p. m.]

213. Dawson's 194, September 2, 9 p. m. from Buenos Aires.

1. In conversation with the Foreign Minister this evening I gave him the substance of Dawson's telegram and he allowed me to read a similar message from Rodrigues Alves.

2. Macedo Soares said that while he had great confidence in Rodrigues Alves' judgment he could not on this basis of the facts reported find any grounds for optimism; that he was asking for further particulars.

3. We were agreed that as the possibility of solution is dependent upon Paraguayan territorial concessions, it would be preferable for Rodrigues Alves and Podestá Costa to make their visit to Asunción before territorial question is taken up by the Plenary Conference rather than afterward. If matters are allowed to reach an impasse in the plenary it will be difficult for the President of Paraguay to

back down whereas any concessions which he may be persuaded to make before outset of the discussions would obviously facilitate counter concessions and agreement. For that reason Macedo Soares is telegraphing that he feels it would be a mistake to take up the territorial question in plenary and that it should be deferred until after there has been an opportunity to persuade the President of Paraguay of the desirability for concessions. If this visit takes place it will be carried out with a minimum of publicity as a normal visit of two men who have frequently been there in the past.

GIBSON

724.34119/157 : Telegram

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

BUENOS AIRES, September 5, 1935—3 p. m.

[Received 4:30 p. m.]

197. From Dawson.

1. In further conversations Zubizarreta has maintained an immovable stand that Paraguay cannot even discuss letting Bolivia have anything more on the Paraguay River than the strip ceded to her by Brazil in the Treaty of Petropolis,^{82a} i. e. the few miles between Otuquis River and the Brazilian frontier. Attempts to get him to define a boundary line which would be acceptable to Paraguay as a basis for discussion have only resulted in vague statements that it would have to start from the innermost part of the Bahia Negra inlet (into which the Otuquis empties) and that he could not express an opinion on such points as the direction of the line or its western extremity without consulting his Government. He has undertaken to do this.

2. It is my impression that the reply will involve extreme demands for use as a bargaining point in pressing for acceptance of the Paraguayan thesis as to the eastern point of departure of the boundary line.

3. I trust that I have made it clear that the recent mediatory discussions have been purely informal soundings and that there is no intention of presenting any formal proposal to the parties unless and until the possibilities of the present course are exhausted. [Dawson.]

WEDDELL

^{82a} Signed November 17, 1903, *British and Foreign State Papers*, vol. 96, p. 383; for Spanish text see Bolivia, Ministerio de Relaciones Exteriores: *Tratados Vigentes, 1825-1925*, Anexos (Bolivia, Litografias e Imprentas Unidas, 1925), tomo 1, p. 150.

724.34119/163 : Telegram

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

RIO DE JANEIRO, September 9, 1935—4 p. m.

[Received 5:35 p. m.]

218. Bolivian Chargé d'Affaires called this afternoon and asked my support for a resolution which he proposes under the instructions of his Government to have introduced by Colombian delegate at next week's meeting of Red Cross Conference. This resolution is in effect an outline of the Bolivian thesis on prisoners of war and calls in the name of humanity and on grounds of international law for the immediate release of all prisoners now held by Paraguay and Bolivia. The Chargé d'Affaires states that while his Government feels the mediators are doing all they can, they are unable to overcome Paraguayan resistance which can be met only through formal condemnation by public opinion.

I told him that inasmuch as the question of prisoners of war was now under negotiations by a group of powers whose mediation had been accepted I feel it would be improper for either party to start propaganda of this sort; that persistence by the Bolivian Government in bringing a controversial political question into the Red Cross Conference might readily create a situation where the Chaco Conference could not get agreement on this or any other question.

The Chargé d'Affaires said that nevertheless his Government felt this pressure should be exerted and asked for the support of the American delegation to the Red Cross Conference. I said I had no authority over the American delegation but that it would be wise not to count too much on their support as, if the resolution were introduced, I should be obliged to explain its political implications to our delegation and suggest that they might deem it wise at least to abstain from voting while stating their reasons.

The Chargé d'Affaires said he quite appreciated the dangers of the contemplated step but did not indicate that he would modify his plans.

Repeated to Dawson.

GIBSON

724.34119/165 : Telegram

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

RIO DE JANEIRO, September 10, 1935—5 p. m.

[Received September 10—5 p. m.]

221. Discussed subject of my 218, September 9, 4 p. m., with Minister for Foreign Affairs this afternoon. He agrees that any discussion

of Bolivian proposal by Red Cross Conference would probably end possibilities of success of Chaco Conference. He proposes to call in the President of the Conference and ask him to prevent introduction of resolution.

Repeated to Buenos Aires for Dawson.

GIBSON

724.34119/166 : Telegram

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

BUENOS AIRES, September 10, 1935—9 p. m.

[Received 10:15 p. m.]

201. From Dawson. Reference Rio's 221, September 10, 5 p. m. I called on Elío this afternoon and informed him of the substance of telegram 218, September 9, 4 p. m. from the Embassy at Rio de Janeiro to the Department. He asserted that all he knew of the matter was that the Costa Rican delegate to the Red Cross Conference when he passed through Buenos Aires some days ago informed the Bolivian Chargé d'Affaires here that he had instructions from his Government to present or support a resolution calling for the immediate release of all prisoners of war. Elío added that he understood that several other delegations had similar instructions. He insisted that Bolivia could only welcome and support such "spontaneous action" in accord with its thesis and that a resolution of this nature could not be taken as a criticism of the Chaco Conference for failing to secure the release of the prisoners but only of the Paraguayan refusal to heed the dictates of humanity. The "spontaneity" of the move is further indicated by the fact that the Bolivian Chargé d'Affaires here recently approached a member of the Brazilian Chaco delegation in an endeavor to get Brazilian support for the proposed resolution.

I stressed to Elío that the introduction of the resolution could hardly fail to endanger the present negotiations on the territorial problem. I pointed out that from the Bolivian point of view itself the wisest course would seem to be to await the declaration by the Chaco Conference that the war had terminated before even considering any steps in connection with securing the release of the prisoners, particularly, as Bolivia had itself requested the Conference to postpone action on this problem until after that time if its amendments to the August 10th proposal of the Prisoners of War Committee were not accepted.

Elío replied that he thought he had already made it clear that he would demand the release of all prisoners immediately after the declaration that the war is at an end on the ground that their retention

thereafter would be untenable; that it was necessary to mobilize foreign public opinion against the Paraguayan refusal to entertain this; that the Red Cross Conference would terminate before the declaration could be made, and that an opportunity for continental condemnation was presented which could not be lost. It was obvious that he had made up his mind in advance and was not open to reason.

Elío added that he was becoming daily more convinced that no solution of the territorial problem could be reached in view of the Paraguayan insistence on retaining all of the Chaco now occupied by it (while he did not say on what he based his interpretation I gathered that the Paraguayans probably indicated such a stand in the latest interview between the Bolivian and Paraguayan Generals covered by Asunción's telegram No. 61, September 8, 10 p. m. since he mentioned later that he had received disappointing news thereof). He remarked that it was obviously not to Bolivia's interest to accept any treaty of peace on this basis and that even a continuance of the *status quo* would be preferable.

I commented that the possibilities of a direct agreement on the territorial problem had not yet been exhausted and that his information as to the Paraguayan demands seemed exaggerated. He then said that he hoped the Conference would before the end of the month make a definite proposal to both parties for solution of the problem which if feasible he would recommend to his Government. He stated that in the event of a Paraguayan refusal to agree to a reasonable solution, which he expected, the Bolivian course would be as outlined in our telegram No. 180, August 16, 10 p. m. He insisted, however, that Bolivia would act in strict compliance with the June 12th Protocol and had no intention of abandoning the Conference.

Repeated to Rio de Janeiro. [Dawson.]

WEDDELL

724.34119/166 : Telegram

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

WASHINGTON, September 11, 1935—6 p. m.

146. Your 218, September 9, 4 p. m., 221, September 10, 5 p. m., and Dawson's 201, September 10, 9 p. m. If the resolution should in fact be introduced in the conference, the Department desires you to take the matter up with the American Delegation in the sense indicated in the penultimate paragraph of your 218. If you believe that direct instructions from the Department to the Delegation would be desirable, please cable.

HULL

724.34119/167 : Telegram

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

RIO DE JANEIRO, September 12, 1935—8 p. m.

[Received 10:44 p. m.]

224. Department's 146, September 11, 6 p. m. Ernest Swift representing League of Red Cross Societies called yesterday. I explained the matter to him and he said that he would be prepared to take such action as we considered wise and that in the meantime he would see what could be done towards preventing the question from arising in the Red Cross Conference.

Although he understands the matter clearly I think the hands of our chief delegate who arrives only tomorrow would be strengthened if he had a telegram of instructions from you.

This afternoon Macedo Soares told me that support for the resolution has been organized for some time and that he has within the last few days been approached from Bolivian, Brazilian, Argentine and Chilean sources with requests for support. He called in the Secretary of the Brazilian delegation and in my presence impressed him with the desirability of seeing that all the Brazilian group understood the situation and that they all unite to prevent controversial matters relating to the Chaco being brought on the floor of the Conference.

GIBSON

724.34119/169 : Telegram

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

RIO DE JANEIRO, September 13, 1935—10 a. m.

[Received 10:35 a. m.]

227. My 224, September 12, 8 p. m. Secretary General of Foreign Office yesterday sought to impress on Bolivian Chargé d'Affaires that by persisting in present course he would endanger success of Chaco Conference and render more difficult the release of prisoners. As Chargé d'Affaires was obviously acting under definite orders Foreign Minister is convinced that only practical way of dealing with the problem is to prevent introduction of resolution.

However, in order that the Bolivian Government may be under no illusion as to seriousness of situation, you may wish to say to Bolivian Minister that we share these views. In view of Bolivian sensitiveness on matters of courtesy you might care to point out the distinct discourtesy of taking to the Red Cross Conference a question already intrusted to the mediators.

GIBSON

724.34119/167: Telegram

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

WASHINGTON, September 14, 1935—noon.

147. Your 224, September 12, 8 p. m. Please deliver following message to Mr. Gustavus D. Pope, Chairman of the American Delegation to the Conference of Red Cross Societies:

"Ambassador Gibson will explain to you the situation which may arise in case a resolution dealing with the question of prisoners of war should be introduced in the Red Cross Conference. Please take such steps as may appear appropriate in an effort to prevent any such controversial matter relating to the Chaco from being introduced into the Conference. If, however, any resolution of this nature should in fact be introduced in the Conference, the American Delegation should refrain from voting thereon. I believe it would be helpful for you to maintain contact with Ambassador Gibson concerning this matter."

HULL

724.34119/171: Telegram

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

BUENOS AIRES, September 14, 1935—4 p. m.

[Received 5:20 p. m.]

204. From Dawson. Prisoners of War Committee today submitted proposal to Bolivian and Paraguayan delegations for immediate exchange under supervision of Neutral Military Commission of all disabled and incapacitated prisoners (first two categories in August 21 proposal transmitted with despatch No. 50⁸³). Replies have been promised for Monday.

Proposal is intended principally to forestall possible action of the Rio de Janeiro Red Cross Conference by indicating that the Peace Conference is working actively on the prisoners of war problem. According to Paraguayan and Bolivian estimates respectively, it would result in the return of only 200 Bolivians and fewer Paraguayans.

Argentine delegation to the Red Cross Conference has been instructed to oppose presentation of resolution referred to in Rio de Janeiro's 221, September 10, 5 p. m.

Repeated to Rio de Janeiro. [Dawson.]

WEDDELL

⁸³ Not printed.

724.34119/170 : Telegram

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

BUENOS AIRES, September 14, 1935—5 p. m.

[Received 8:35 p. m.]

205. From Dawson. Department's telegram No. 110, July 25, 6 p. m. Learned this morning from the chairman of the Bolivian and Paraguayan delegations that Barreda Laos, senior Peruvian delegate, had submitted to them a proposal for the setting up of a war responsibility tribunal which they were apparently disposed to accept. Tribunal would be composed of three members, one each to be selected by name by Bolivia and Paraguay, and the third to be a Justice of the Supreme Court of the United States. Plan provides for first meeting of tribunal within 4 months of signature of agreement with 8 months for handing down of opinion.

Barreda has not consulted or informed the neutrals including other members of the committee set up to deal with the matter.

Repeated to Rio de Janeiro. [Dawson.]

WEDDELL

724.34119/178 : Telegram

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

BUENOS AIRES, September 18, 1935—10 p. m.

[Received September 19—12:47 a. m.]

209. From Dawson.

1. At an informal meeting of the neutrals this afternoon Saavedra Lamas informed us that he was calling a plenary session including the Bolivian and Paraguayan delegations for Friday to discuss (a) Barreda Laos' proposal for a war responsibility tribunal, (b) a suggestion by the chairman of the Neutral Military Commission that an international police force be formed to replace the Bolivian and Paraguayan enlisted men now used by the Commission in the zone separating the two armies and (c) various angles of the prisoners of war question.

2. There was some discussion of the possibility of making public the August 14 report of the Prisoners of War Committee to the neutral members of the Conference (enclosure 6 to despatch No. 44⁸⁴) as to negotiations on the prisoners problem. (A recent Paraguayan communiqué on the subject was answered by Bolivian statement grossly misrepresenting the facts.)

⁸⁴ Not printed.

3. Paraguay has replied to the proposal for the exchange of disabled and incapacitated prisoners accepting it with the significant amendment that decision as to selection of prisoners be left to the medical authorities of the respective armies rather than to the Neutral Military Commission. According to press despatches from Asunción it has already been officially announced there that 200 disabled Bolivian prisoners are shortly to be released. No reply has been received from Bolivia.

4. Saavedra Lamas said in a conversation yesterday the chairman of the Paraguayan delegation had insinuated that the Conference should take a recess and not make the declaration that the war is at an end, called for by the June 12th Protocol after the completion of demobilization, obviously with the idea that the failure to make the declaration would bolster Paraguay's grounds for retaining its prisoners. He asserted that he had informed the Paraguayan Government that the declaration would have to be made and had urged that Paraguay modify its opposition to the release of prisoners, pointing out that it was adequately protected by the security measures in the Protocol and that public opinion in neutral countries was turning against Paraguay because of its *intransigence*.

5. In this connection Saavedra Lamas stated that Argentina would abrogate its neutrality decrees after the declaration of the termination of war. The Brazilian and Chilean delegates indicated that they expected their Governments to do the same.

6. Saavedra Lamas announced that he felt it was necessary for the Conference to cease marking time and to carry out strictly and without undue delay all of the mandates intrusted to it by the Protocol whether it succeeded or failed. His plans however seem as vague as ever.

Repeated to Rio de Janeiro. [Dawson.]

WEDDELL

724.34119/182 : Telegram

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

RIO DE JANEIRO, September 20, 1935—5 p. m.

[Received September 20—4:09 p. m.]

239. My 227, September 13, 10 a. m. Our delegation, in cooperation with others, has canvassed the situation thoroughly and has found out that no resolution on prisoners of war will be introduced in the Red Cross Conference.

Repeated to Buenos Aires.

GIBSON

724.34119/183 : Telegram

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

BUENOS AIRES, September 20, 1935—9 p. m.

[Received 9:55 p. m.]

212. From Dawson. Summary of 11th session (plenary) of Peace Conference this afternoon.

1. A number of communications to the Conference from women's and peace organizations in Mexico, Cuba, and all mediatory countries except the United States calling for prompt release of all prisoners were read.

2. Paraguayan delegation accused Bolivian delegation of engaging in press and other propaganda in violation of commitment undertaken at the beginning of Conference. Bitter debate followed. On the point of the chairman both parties finally renewed their commitment.

3. Both parties agreed to setting up of war responsibility tribunal. The appropriate committee was instructed to prepare final draft resolution on the basis of that transmitted with our despatch No. 31 of August 3,⁸⁵ with certain changes including definite provision that third and presiding member should be a Justice of the Supreme Court of the United States.

Repeated to Rio de Janeiro. [Dawson.]

WEDDELL

724.34119/185a : Telegram

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

WASHINGTON, September 21, 1935—3 p. m.

156. I believe that, in view of resumption of the Chaco Conference meetings at Buenos Aires and the approaching completion of demobilization on September 28 which will call for a declaration by the Conference that the war is at an end, it is highly important for you to return to Buenos Aires so as to be there on or about September 28. I feel that the meetings which will take place at that time may well be crucial in determining whether the Conference will be able to accomplish anything constructive towards the solution of the problems entrusted to it, and I feel that in the interest of our Government as well as in the interest of peace on the American continent it is essential that you, as the representative of this Government, in whose ability and impartiality all the other governments have the utmost confidence, should be present in Buenos Aires in order to make every possible contribution towards a successful outcome. It

⁸⁵ Not printed.

would be widely commented upon if this Government failed to have an outstanding representative like yourself there at the present time. In the meantime we are giving consideration to the appointment of a second delegate so that you would not be required to remain constantly in Buenos Aires and will communicate with you later on this point.

As regards methods of dealing with the problems before the Conference, I am impressed with the possibilities of Cruchaga's scheme as reported in your 103, June 25, 10 p. m.,⁸⁶ and 203, August 27, midnight. I suggest that if, after further conference with Macedo Soares, and if he is in agreement, upon your return to Buenos Aires you and your Brazilian colleague urge Saavedra Lamas to adopt as his own proposal a scheme on the lines of that put forward by Cruchaga with the modifications suggested in your 203, namely, that the International Mixed Commission entrusted with the final solution of the problem be composed of three or five members without representatives of the parties to the dispute, and that the latter be urged to agree in advance to accept the solution presented by the Commission, or at least to agree that in the event the solution presented by the Commission should not be accepted by one or the other party the Commission will be empowered to draw up the terms of the arbitral *compromis*.

Please cable the date on which you expect to leave Rio de Janeiro for Buenos Aires as I believe it will be helpful to make announcement thereof as soon as possible. In this connection, you will be interested to know that Cruchaga has sent me a personal message through the Chilean Ambassador here to the effect that he believes it would be extremely helpful if you could return to Buenos Aires.

I shall be glad to be informed of particulars regarding the Foreign Office studies mentioned in your 236 September 17, 2 p. m.⁸⁷ whenever they are available to you.

HULL

724.34119/184 : Telegram

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

BUENOS AIRES, September 21, 1935—4 p. m.

[Received 4:55 p. m.]

214. From Dawson.

1. My 197, September 5, 3 p. m. Zubizarreta has informally advised members of mediatory group that his Government prefers not to make any suggestions as to a boundary line although he would be

⁸⁶ See telegram No. 103, June 25, 10 p. m., from the Ambassador in Argentina, p. 88.

⁸⁷ Not printed.

glad to consider any proposal the neutrals might make. In other words Paraguay is apparently not prepared to modify on its own initiative the position taken earlier in the Conference that it must have the entire Chaco.

Repeated to Rio de Janeiro. [Dawson.]

WEDDELL

724.34119/185 : Telegram

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

BUENOS AIRES, September 21, 1935—6 p. m.
[Received 10:42 p. m.]

215. From Dawson. Paragraph 3, my 212, September 20, 9 p. m. Bolivian and Paraguayan delegations have agreed that the International Commission on War Responsibility should be chosen as follows: the Bolivian and Paraguayan Governments would each request a neutral American Government to designate a judge and the third and presiding member would be a Justice of the Supreme Court of the United States, "negotiations" for the designation of the latter being entrusted to the chairman of the Conference. The Commission would have a prolonged period probably 18 months in which to render an opinion on all aspects of the war responsibility question. If either party failed to accept the conclusions, the question would under the terms of the June 12 Protocol go to the Permanent Court of International Justice for final decision.

Saavedra Lamas tells me that he feels it is essential to know before the final draft of the necessary resolution is approved whether any Justice of our Supreme Court would be prepared to accept an invitation to sit on the Commission and asks me to endeavor to ascertain this through the Department. His idea is apparently that it would be useless to adopt a resolution making definite provisions for an American Justice without reason to believe that one would accept. I should appreciate instructions as to what reply I should make.

Preliminary drafts so far considered have not specified a meeting place. I have expressed the opinion to Saavedra Lamas and to members of the Drafting Committee that it would probably be impossible for an American Justice to absent himself from Washington for a period such as that contemplated.

Repeated to Rio de Janeiro. [Dawson.]

WEDDELL

724.34119/193 : Telegram

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

RIO DE JANEIRO, September 23, 1935—5 p. m.

[Received 8:25 p. m.]

241. Your 156, Sept. 21, 3 p. m.

1. As reported in my 240, September 23, 3 p. m.^{ss} I am leaving tomorrow in order to reach Buenos Aires on September 27th.

2. I have just come from a conversation with Macedo Soares in which I communicated to him the substance of your telegrams.

4.* He recognizes the necessity for my being present at the next meetings but is insistent that I return here as promptly as possible thereafter for the following reasons:

5. For your personal and secret information he tells me that in his discussions with Prieto^{ss} while here (my 225 September 12, 9 p. m.^{ss}) and later by telephone he feels he now has Paraguayans lined up on the basis of a solution which Bolivia can accept. The Paraguayans are insistent that the possibility of such concessions shall not be made known to Saavedra Lamas at this stage. In view of this rather peculiar situation and in order to be free from responsibilities for possible leakage I considered it wiser to ask no questions as to the character of the Paraguayan concessions.

6. His next step is to determine whether the Bolivians can be brought nearer to agreement. Macedo Soares is today inviting Elío to visit Rio ostensibly as a complement to the recent visit of the Paraguayan mission but really in order to talk matters out [*over?*] with him under favorable conditions. He tells me he has reason to believe that Elío will come here as soon as possible after the declaration of termination of the war prepared to discuss the Bolivian position with a frankness not possible in Buenos Aires.

7. In the light of full reports Macedo Soares is convinced that there is no hope of solution of the fundamental problems being reached by the Conference method in Buenos Aires. Both parties manifest growing suspicion of Saavedra Lamas and some of the other mediators and appear to be drawing farther away from possibilities of agreement and are even unwilling to state their real desiderata. He feels that the best chance of success now lies in persuading them in

^{ss} Not printed.

* Owing to error in numbering paragraphs the cable does not contain a paragraph number three. [Notation on original.]

^{ss} Justo Prieto, Paraguayan Minister of Education.

private conversations here in Rio to confide to him their minimum demands.

8. From his whole attitude I am convinced that this is no effort to run away with the credit, that he is sincerely concerned with putting an end to the conflict and that once a basis of solution has been agreed upon he is prepared to let it appear as the outgrowth of the work of the Conference. He does not lose sight of the necessity for avoiding ruffling the susceptibilities of Saavedra Lamas. In this connection he has consistently opposed any suggestions of allowing the Conference to die in Buenos Aires in order that the problems might be taken up under more favorable auspices elsewhere. He expresses himself definitely that the Conference must be kept going in Buenos Aires in order to deprive the parties of any ground for withdrawal from the negotiations but he feels with equal strength that the activities there should be of a distinctly time killing character in order to afford leisure for the private discussion which alone can lead to agreement.

9. On the basis of my own experience in Buenos Aires I am confident of the soundness of this estimate of the possibilities of the situation.

10. I took up with Macedo Soares the plan referred to in your telegram although as reported in my 203, August 17 [27], midnight, I had discussed it with him previously. He feels still more strongly at present that this plan should be held in abeyance and that any attempt to put over a definite solution in Buenos Aires at this time would inevitably disrupt the Conference, that the one hope of solution is to continue the discussions in Buenos Aires on matters of detail avoiding major clashes and afford time for him to elicit from the two parties the greatest possible measure of concessions here. As I understand it, his plan is in all essentials similar to the one I have suggested with the difference that he wishes to bring it forward only after he is assured of acceptance instead of introducing it in the Conference in the hope of securing acceptance there. If his optimism is justified this would obviously appear to be the better course.

11. In view of the delicate nature of the work being done by Macedo Soares I am confident you will not wish me to cross wires with him by introducing important proposals until he has had an opportunity to see what he can accomplish.

12. The Minister spoke with considerable emphasis of his desire that I be here to work with him or parallel him in bringing the parties to a more reasonable state of mind. You may rest assured that I shall be careful in any such work not to get beyond my depth.

13. Macedo Soares has not informed any other government of his present activities and his representatives in Washington and Buenos Aires are ignorant of it. I trust, therefore, that the foregoing will be kept strictly secret.

14. While I quite recognize the necessity for my presence in Buenos Aires during the meetings following declaration of the termination of war, Macedo Soares' efforts would appear to be the only realistic work now being done and I trust you will see the urgency of appointing a second delegate who will be able to attend the meetings in Buenos Aires and leave me free to return here.

15. Even if it were not for this work I should feel impelled to urge the appointment of a second delegate because of the disquieting general situation here affecting American interests. I think we can assume that the trade agreement ⁹¹ will go through. However, progress to date has been the result of unremitting daily personal pressure and if this is removed there is always the possibility of delays and unexpected complications. Aside from this we have, as the Department is aware, a series of problems in connection with the unfreezing agreement, the possibility of suspension or revision of the debt plan and other questions affecting important American interests. In the light of my knowledge of the situation here and in Buenos Aires, if I were authorized to use my own judgment, I should have no hesitation in making such arrangements as were possible for carrying on the work in Buenos Aires and return to Rio to give my full time and attention to the situation here.

16. In view of all the foregoing you may desire to instruct me to attend the opening meetings, report upon the general situation, prospects of agreement and plans for work and then use my own judgment as to when I should return here.

GIBSON

724.34119/185 : Telegram

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

WASHINGTON, September 23, 1935—6 p. m.

127. For Dawson. Your 215, September 21, 6 p. m. We have informally inquired of two Justices of the Supreme Court, who are the only ones we have so far been able to get in touch with, and they, while expressing their appreciation of the honor which would be conferred upon them by an invitation to serve on the commission, and their desire to do anything possible to be of assistance in inter-Amer-

⁹¹ See pp. 300 ff.

ican relations, have stated that, owing to the magnitude of the tasks before the Supreme Court over the next few months, they greatly regret that it would be impossible for them to devote the necessary time to the work of the commission.

While, as stated, it has been possible to get in touch with only two members of the Court, we are inclined to feel that the reaction from the other members would probably be much the same; you will, of course, appreciate that the Supreme Court will have before it in the next few months an unusually large and important number of cases for decision.

HULL

724.34119/194 : Telegram

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

BUENOS AIRES, September 24, 1935—4 p. m.

[Received 4:50 p. m.]

216. From Dawson. Paragraph number 3, my 209, September 18, 10 p. m. Bolivian delegation has orally informed Prisoners of War Committee that the Bolivian Government does not feel that it is necessary to take action on the proposal for the exchange of disabled prisoners "in view of the short time remaining before the Conference declares the war at an end after which all prisoners should automatically be released." [Dawson.]

WEDDELL

724.34119/195 : Telegram

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

BUENOS AIRES, September 24, 1935—7 p. m.

[Received 8:22 p. m.]

217. From Dawson. Department's 127, September 23, 6 p. m. Informed Saavedra Lamas this afternoon that it seemed doubtful that any member of the Supreme Court of the United States would be able to accept an invitation to serve on the International Commission on War Responsibility in view of the magnitude of tasks before the Supreme Court.

He showed me the final draft of the request regarding the Commission which was prepared last evening by the appropriate committee and which he proposes to introduce Friday in a plenary session of the Conference. This provides that the third and presiding member of the Commission shall be a Justice of the Supreme Court of the United

States or a judge of one of our higher courts, the Supreme Court being requested to indicate this member.

I suggested that the most practicable solution might be to revert to the provision of the original proposal transmitted with the delegation's despatch No. 31 of August 3,⁹² whereby the two Governments requested by Bolivia and Paraguay to designate members would in agreement approach a third state for the designation of the other member; that in this way the door would be left open for the appointment of an American judge if one were available or if not for the designation of one of another nationality.

The chairman insisted, however, that both Bolivia and Paraguay wanted definite provision for an American presiding judge (from my conversations with their delegates this seems to be the case) and that their agreement on the setting up of the International Commission might be endangered if it were not clearly stipulated. He said that he intended to telegraph Espil to make representations to the Department so as to ensure the acceptance by an American judge of the proposed invitation. [Dawson.]

WEDDELL

724.34119/195 : Telegram

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

WASHINGTON, September 25, 1935—6 p. m.

130. For Dawson. Your 217, September 24, 7 p. m., second paragraph. In view of the extreme unlikelihood that any Justice of the Supreme Court could accept and the possibility that no judge of one of our higher courts would be available, it might be wise for Dr. Saavedra Lamas to consider the inclusion in the draft resolution of an alternative category such as "or an eminent jurist of the United States."

HULL

724.34119/195 : Telegram

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

WASHINGTON, September 26, 1935—7 p. m.

131. For Dawson. The Argentine Ambassador has called to express Saavedra Lamas' desire that the composition of the Commission on War Responsibility should be as given in second paragraph your 217, September 24, 7 p. m. With regard to the suggestion of an

⁹² Not printed.

alternative category made in our 130, September 25, 6 p. m., the Ambassador pointed out that this might encounter objections in the Conference, since the other two members of the Commission would be judges from the highest court of their respective countries. He inquired whether there would be objection on our part if the formula as regards the third member were left as proposed by Saavedra Lamas. We said that, while we did not desire to raise objection, we felt that we must point out that with this formula there was a real possibility that neither a Justice of the Supreme Court nor a judge of one of our higher courts would be available, and that it was in order to make more likely the acceptance of an appropriate American member that we had proposed the alternative category. We also said that while we had not consulted with the Supreme Court as to whether it would be willing to "indicate" the name of an American judge of the higher courts (or an eminent jurist) and we did not know what the attitude of the court might be, we would, of course, be willing to use our good offices as and when the necessity therefor might arise.

HULL

724.34119/203 : Telegram

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

BUENOS AIRES, September 28, 1935—9 p. m.

[Received 11 p. m.]

223. From Gibson. Twelfth plenary session this evening adopted with slight changes resolution establishing International Commission on War Responsibility.

Having discussed the question of adding the alternative category "an eminent jurist of the United States" with the chairmen of the Bolivian and Paraguayan delegations and finding definite opposition in view of the importance they attach to having judges to consider the problem, it appeared useless to press the matter in the plenary session although I stated fully therein the practical difficulties which might arise. I suggested and the Conference agreed to a wording which would permit the employment of either an active or a retired Federal judge.

The Paraguayan delegation confirmed the report that Paraguay would unilaterally free incapacitated prisoners to the number of 203 despite Bolivian failure to accept the proposal of the Prisoners of War Committee for their exchange.

The chairman proposes to have the neutral members of the Conference meet daily beginning Tuesday. [Gibson.]

WEDDELL

724.34119/211 : Telegram

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

BUENOS AIRES, October 1, 1935—9 p. m.

[Received 9 : 30 p. m.]

224. From Gibson. Meeting of neutrals this afternoon taken up with:

1. Discussion of a boundary line which the Argentine delegation suggests should be presented to the Paraguayans and Bolivians as an informal proposal; this would run diagonally from a point on the Paraguay River north of the town of Bahia Negra but south of the mouth of the Rio Negro to the intersection of latitude 22 degrees south of the equator with the Pilcomayo River. Nothing decided.

2. Consideration of telegrams from chairman of the Neutral Military Commission stating that as demobilization and other security measures had been completed Commission would disband tomorrow "its tasks being over". This is entirely inaccurate as the Commission must obviously continue at least for the present to supervise security measures. A reply was therefore drafted instructing the Commission not to disband; the senior members of the Commission were invited to visit Buenos Aires immediately in accordance with a desire expressed by them but they were instructed to maintain adequate representation at their headquarters. A plenary session of the Conference has been called for tomorrow for the purpose of passing a resolution making it clear that the Commission should continue in operation.

3. The question of having the Conference declare the war at end under the provisions of the June 12th Protocol was postponed despite the Commission's report since the 90-day demobilization period is considered not to be technically over until October 3rd and in order to enable a check to be made as to the number of men still in Paraguayan and Bolivian armies. [Gibson.]

WEDDELL

724.34119/212 : Telegram

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

BUENOS AIRES, October 2, 1935—8 p. m.

[Received 8 : 35 p. m.]

227. From Gibson. Private meeting of neutral delegates at Foreign Office this afternoon decided we had not sufficient data to justify immediate declaration of termination of war pending arrival of members of Neutral Military Commission.

Protocol setting up Tribunal on War Responsibility was signed at plenary session this evening which dealt with no other business. [Gibson.]

WEDDELL

724.34119/214: Telegram

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

BUENOS AIRES, October 4, 1935—11 p. m.
[Received October 5—3:10 a. m.]

230. From Gibson. The Conference is now faced with the necessity for declaring the war at an end in conformity with the provisions of article 3 of the Protocol. No date is fixed for this but the intentions of the Protocol are clear and the Bolivians are pressing for an early declaration. Elío makes no secret that as soon as the declaration is made he will start a vigorous campaign for the immediate return of prisoners of war. If this controversial question is precipitated the whole situation will be considerably aggravated and ultimate agreement rendered practically impossible.

I can see only one way to avert this which is through the presentation by the Conference of a definite proposal for the solution of the whole Chaco question. I think we shall have to abandon any thought of plan (such as that outlined in my 203, August 27, 12 p. m. from Rio de Janeiro) entrusting the territorial question to a mixed commission as it would inevitably be rejected by Paraguay.

A comprehensive plan for a treaty between the parties was prepared in my office this morning with Rodrigues Alves and Podestá Costa, and this afternoon we went over it with Saavedra Lamas. The plan may be briefly sketched as follows.

1. Peace reestablished.
2. Territorial question settled by drawing a line due west from the Paraguay River 20 degrees 14 minutes south to 58 degrees 16 minutes west longitude. From this last point a straight line west southwest to point where parallel 22 south latitude crosses the Pilcomayo.
3. Paraguay to concede a free zone at Puerto Casada and certain stipulated transit facilities on the railway and roads between that point and the frontier. Similar concessions in Bolivia granted the Paraguayans in order to give an air of reciprocity.
4. Return of prisoners of war on signature of treaty of peace except those who make written application to remain.
5. General amnesty for prisoners of war as well as the inhabitants of occupied territory.
6. Expense of returning prisoners to be regulated in conformity with Geneva Convention of 1929.
7. Reestablishment of diplomatic relations.

The plan would in effect establish a line approximately that which Zubizarreta a month ago indicated that Paraguay would be in a position to accept plus a few miles of the bank of the Paraguay River south of the mouth of the Rio Negro and north of the town of Bahia Negra in order that Bolivia may have the satisfaction of getting some territory on the Paraguay River in addition to that ceded to her by Brazil in the Treaty of Petropolis. Points 3 and 4 would of course be Paraguayan concessions to Bolivia to make it easier for the latter to give up some of its territorial claims.

We have also contemplated the possible addition of a point providing the giving up of the War Responsibility Tribunal and all claims for indemnities and reparations but are holding this back as a possible additional inducement and because of the fact that an immediate suggestion by the mediators that this be abandoned a few days after a protocol providing for it has been signed might have a bad effect.

The Paraguayan chief delegate has in conversations indicated that Paraguay would be prepared to accept all of the points included in plan, including abandonment of the War Responsibility Tribunal, the reparations, if presented by the mediators in a general scheme of settlement.

In my opinion the real difficulty is not [*now?*] believed likely to come from Bolivia inasmuch as Elío has made it clear that he is unwilling to take any steps which might affect his popularity for the next elections, that he prefers to reject any plans for settlement and try to maneuver Paraguay into refusing concessions, then going to the World Court, by unilateral action if necessary. However, if we put forth some such general proposal before the Conference declares the war is at an end we may preclude Elío from demanding the immediate return of the prisoners of war as an opening gun of a campaign to justify withdrawal from the Conference.

In our conversation with Saavedra Lamas this afternoon he expressed himself as agreeing in principle but suggested delay at least until we had seen the Neutral Military Commission which is due in Buenos Aires on Monday. He may or may not overcome his natural procrastination enough to take the matter up vigorously but Podestá Costa, his principal collaborator, is completely in accord with our ideas and is drafting a formal document embodying them. The plan will be discussed with the other mediators tomorrow.

We are under practical compulsion to act without delay as from one day to another we must declare the war at an end and unless this declaration is accompanied or preceded by a proposal for a general solution there is no way to avoid a serious clash between the two parties; as we see it we have no choice but to make some general pro-

posals at this time. No purpose can be served by putting off the evil hour. We know as much now as we shall ever know as to the intentions of the parties and what they can accept and a continuation of dilatory proceedings would merely serve to cause the disappearance of all chance of an agreement.

If this plan is rejected the Department will realize that we shall have exhausted the possibilities of bringing about direct agreement and that the next step will be an attempt to draw up an arbitral agreement.

I am reporting this fully in order that you may have the matter under consideration and give me the benefit of any suggestions that may occur to you. [Gibson.]

WEDDELL

724.34119/215 : Telegram

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

BUENOS AIRES, October 4, 1935—12 p. m.

[Received October 5—6 : 14 a. m.]

231. From Gibson. My 241, September 23, 5 p. m. from Rio. On my arrival here I found the situation very confused and an obvious fear on the part of Saavedra Lamas and some of the others that efforts would be made to run away with the Conference and rob them of credit. I, therefore, felt warranted in sending a message to Macedo Soares through the Embassy in Rio to warn him that the contemplated visit of Elío would under present circumstances inevitably arouse suspicion and resentment here and it might encourage Elío to feel he could reject proposals of the Conference in the hope of getting better terms in Rio (see my 230, October 4, 11 p. m.).

At my suggestion he authorized Rodrigues Alves to discuss the suggestion with me. We found we had independently reached identical views. Day before yesterday I again sent a message to Macedo Soares through the Embassy to advise that he exercise extreme prudence. I suggested that he hold matters in abeyance pending developments; that if Elío becomes recalcitrant, as he threatens to become, Saavedra Lamas might well fall in with a suggestion that he be sent to Rio to see if Macedo Soares could make him see reason. This would avoid the danger I foresaw of Elío's feeling he could play off Rio against Buenos Aires.

I have received a telegram from Frost⁹³ saying Macedo Soares is leaving the decision as to Elío's visit in abeyance and will be guided by Rodrigues Alves and me. [Gibson.]

WEDDELL

⁹³ Wesley Frost, Chargé in Brazil.

724.34119/216 : Telegram

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

BUENOS AIRES, October 5, 1935—7 p. m.

[Received 10:45 p. m.]

232. From Gibson. My 230, October 4, 11 p. m. Have gone over tentative draft proposal with the mediatory delegates, all of whom feel it offers the only practicable course of action and express themselves in favor of pressing it as expeditiously as possible. At meeting with Saavedra Lamas this morning, it was agreed that it should be drafted in final form with several minor additions of a helpful character.

For consideration in connection with the proposal, I venture briefly to outline the background and contemplated procedure.

The suggestion of a definite line by the mediators has grown out of conversations carried on for some weeks past with both the Paraguayans and Bolivians and seems to be the only way for dealing with the problem, since neither party will make any proposal embodying anything less than its extreme claims. It would obviously be much easier for them to accept a suggestion from the mediators giving them less than their maximum aspirations than to give favorable consideration to anything put forward by their opponents. On the territorial question, the plan is based on the concessions which each party has indicated in conversations it would be prepared to make in the final analysis (see my 194, September 2, 9 p. m.) and acts between the minimum positions which they have outlined.

Under the proposal, while Paraguay would retain the greater part of the territory in dispute, it would give up a substantial part of the interior now occupied by it; Bolivia would further secure territory in the east which was in Paraguayan possession before the outbreak of hostilities. Bolivia would not only gain access to the stretch along the Paraguay River ceded to her by Brazil under the Treaty of Petropolis but would also get a few additional kilometres of river bank, previously in Paraguayan possession, including a point called Puerto Caballo, just above Bahia Negra, which is reported to be as practicable for port purposes as the latter. She would thus have her "psychological" port without her access to the river being of such a nature as to be dangerous to Paraguay. In this connection, it is proposed to include in the plan a provision for neutralization of a zone on both sides of the frontier.

The territorial proposal should be considered in conjunction with the third point in the plan of a free port at Puerto Casado and transit facilities. The Paraguayans, in the course of our conversations, agreed to make definite concessions of this character and this

phase of the settlement is of greater practical importance than the possession of Puerto Caballo.

In this connection, it is proposed to have a separate protocol specifying certain transit rights, free zones and other facilities to be granted to both countries by Brazil and Argentina, contingent upon acceptance of the agreement.

The mediators are agreed that the most effective course would be to time operations in such a way that at a given hour, (1) the proposal should be handed to the two delegations here with a carefully prepared statement from the chairman of the Conference on behalf of the mediators urging the desirability of acceptance; (2) representatives of the Conference should hand the document to the Presidents of Bolivia and Paraguay and urge its careful consideration and prompt acceptance; and (3) the mediating governments should direct their diplomatic representatives in La Paz and Asunción to press for favorable consideration. We consider it essential to provide that the document be placed in the hands of the two Presidents in view of our experience when the August 10th proposal on prisoners of war was presented.

The time element is essential for the Neutral Military Commission will arrive on Monday to make its report and unless there is something in this to justify delay, we shall be pressed by the Bolivians to declare the war at an end. The presentation of the proposal for general settlement would be the most effective way for dealing with this pressure.

I shall be glad to have your comments as soon as possible. [Gibson.]

WEDDELL

724.34119/216 : Telegram

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

WASHINGTON, October 7, 1935—3 p. m.

136. For Gibson. Your 230, October 4, 11 p. m., and 232, October 5, 7 p. m. In view of the situation confronting the Conference, we are in agreement with you that this proposal, and the procedure suggested for putting it before the Conference and before the Governments of Bolivia and Paraguay, is reasonable and we will be prepared to support it at Asunción and La Paz.

We assume that the proposal, as outlined in your telegrams under reference, is approved by all the mediatory delegations.

With reference to the third paragraph of your 232, in which you state that as regards the territorial question the proposal is based on the concessions which each party has indicated in conversations

it would be prepared to make in the final analysis, it would seem from paragraph 6 of your 194, September 2, 9 p. m., that the proposal goes a little beyond anything which Elío has indicated that he would be prepared to accept. We should be glad to know whether the Bolivians have indicated that they would be prepared to abandon the request for an arbitral zone east of meridian 59 degrees west of Greenwich and between the latitudes of Fort Olimpo and Bahia Negra, which they were apparently insisting upon as reported in Dawson's 194.⁹⁴

HULL

724.34119/224 : Telegram

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

BUENOS AIRES, October 8, 1935—6 p. m.

[Received 10:32 p. m.]

234. From Gibson. Department's 136, October 7, 3 p. m. All mediatory delegates have expressed their belief that plan offers best present chance of success.

We are agreed in the light of our experience that we must abandon all thought of direct agreement save on the basis of a definite detailed proposal put forward and pressed by the mediators. We do not see any strong chance of adoption but if the proposal is rejected, it at least brings to an end, in a dignified way, the attempt to promote direct agreement.

I have not sought to win support for the plan but have submitted the facts and let each delegate decide for himself. The present position is unanimously in support of the plan as drafted in tentative form although there may be modifications when the mediatory Governments are heard from.

Department's understanding of Elío's position as expressed in last paragraph is entirely accurate. In third paragraph of my 232, October 5, 7 p. m. it was not intended to indicate that reciprocal concessions had been so complete as to meet on a definite line. Rather in the words of that paragraph "this line cuts between the minimum positions which they have outlined". The quintessence of the Bolivian stand on the territorial question has been that they must have a port on the river, the territory ceded by Brazil in the Treaty of Petropolis being useless for this purpose. Paraguay has insisted on the other hand on the retention of "The Bahia Negra" including the town of that name and the drowned lands into which the Rio Negro or Otuquis empties. We have sought to cut this Gordian knot by leaving the

⁹⁴ Dated September 2, 9 p. m., from the Ambassador in Argentina, p. 131.

town of Bahia Negra to Paraguay while giving Bolivia a few kilometres north of the town along the Paraguay River which were in Paraguayan possession even before the war including a port at Puerto Caballo as useful (or more accurately of equally little use) as Bahia Negra.

The line drawn to the upper Pilcomayo seems a fair and reasonable partition of territory practically uninhabited by either party. If you have before you a map showing (1) the line held by the Paraguayans on the outbreak of hostilities, (2) the line now held by them, and (3) the suggested line, it will be clear that the latter roughly splits the difference between the first two.

Both parties are entirely unreasonable but there is a bare chance that this solution may be accepted and if it is not this will show that the chance would be even less good of continuing negotiations on separate problems. If the plan is accepted we are out of the woods. A refusal by either or both parties would enable us to tackle the next phase which is the elaboration of an arbitral agreement.

I am convinced, however, that if it is decided to press this plan we should interpret our role of mediator broadly and exercise a friendly but definite pressure upon both parties to end this conflict on the ground that it is not only senseless as between themselves but a public nuisance for the other countries of America. I believe that such definite and concerted pressure is essential as both Governments are quite prepared to [play?] fast and loose with the problem for their own political ends. [Gibson.]

WEDDELL

724.34119/222 : Telegram

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

BUENOS AIRES, October 8, 1935—7 p. m.

[Received 9:12 p. m.]

235. From Gibson. Department's 136, October 7, 3 p. m. Frost telegraphs me that Macedo Soares has expressed approval of the plan and states that he has no alterations to suggest. [Gibson.]

WEDDELL

724.34119/223 : Telegram

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

BUENOS AIRES, October 8, 1935—8 p. m.

[Received 9:22 p. m.]

236. From Gibson. Meeting of mediators held this afternoon to receive senior members of Neutral Military Commission. After ex-

change of complimentary speeches the Commission was given 10 days in which to prepare a report as to the fulfillment of the measures of security specified in the Protocol. This was done in order to defer the date of declaring the war at an end and to gain time to coordinate the Conference's efforts for the presentation of the general plan. The report can be produced on short notice if the period is longer than necessary.

Counsels of moderation by Argentina, Brazil and Chile to the President of Bolivia have elicited assurances that he will send instructions to Elío to refrain from precipitating a clash on the question of prisoners of war for the moment. [Gibson.]

WEDDELL

724.34119/226 : Telegram

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

BUENOS AIRES, October 11, 1935—11 a. m.

[Received 12:05 p. m.]

242. From Gibson. My 234, October 8, 6 p. m. Mediatory group has been in session daily in full agreement and met last night to put final touches on text of proposal for comprehensive settlement and decide details as to presentation here and in the two capitals.

The Chilean delegation opened the meeting with a communication from Cruchaga that he could not support the plan. His expressed reason was that mediators could not with propriety suggest a line of demarcation; that he could consent to nothing more than a further informal exploration as to whether the substance of the plan could serve as a basis of settlement.

Confidentially Nieto del Río tells me that Cruchaga's real reason is that he wants the Conference to press his original idea of an international commission to settle the territorial question. The Chilean delegation told Cruchaga that this was not feasible as the Paraguayans had stated categorically that they would reject any such proposal. In spite of this, the Chileans were instructed to maintain his objection to the plan and the method of its presentation.

An effort is being made to find an alternative method satisfactory to Cruchaga but it is believed difficult to see how this can be achieved without sacrificing the measures which give some hope of acceptance by the parties. [Gibson.]

WEDDELL

724.34119/229 : Telegram

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

BUENOS AIRES, October 11, 1935—10 p. m.

[Received 10:47 p. m.]

243. From Gibson. My 242, October 11, 11 a. m. In further meeting today Chilean delegation stated Cruchaga has agreed to give his support to the proposal provided it is presented less formally. The chief practical effect of this is that the proposal will not be simultaneously and formally presented in the two capitals.

The final text of the proposal in the form of a draft treaty was completed this afternoon. I shall not telegraph it unless you so desire.

Tomorrow is to be devoted to preparing a memorandum explaining the proposal and the reasons for its acceptance. This document to be handed to the two parties and reserved for publication.

Military Commission has not yet completed its report but early next week the Conference should be able to declare the war at an end. [Gibson.]

WEDDELL

724.3415/5111 : Telegram

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

BUENOS AIRES, October 12, 1935—4 p. m.

[Received 9:10 p. m.]

244. From Gibson. My 87 [86?], June 17, 5 p. m., and 94, June 21, 3 p. m. Saavedra Lamas told me last night that he felt the time might be ripe any day now for acting on your suggestion that a conference of all American states be called to deal with the general subject of peace on this continent.⁹⁵ He said that he was instructing Espil to discuss the matter with you.

It was obvious from Saavedra's remarks that his sudden change of attitude toward the calling of a general conference was not based on interest in the elaboration of peace machinery to avert future conflicts. He is in a state of panic lest the present negotiations collapse and affect his personal prestige. His immediate aim, which he has openly pursued during the past few days, is to find a convenient scapegoat.

In his conversation with me he made it clear with startling naïveté that he envisaged the general conference primarily as something on

⁹⁵ See section entitled "Preliminaries to the Inter-American Conference for the Maintenance of Peace . . ." pp. 1 ff.

which the Chaco problem could be unloaded. In this connection he said that he felt that rather than "admit the failure" of the present negotiations we should call in the other American states and "make them shoulder their share of the blame" thus avoiding "the ignominy of having the question go back to Europe".

He said that the averting of future wars was not a matter of practical interest at this time and that we should devote our efforts to getting the American countries to "participate in responsibility for the Chaco". As usual he has no plan as to how this is to be achieved. The whole idea savors of going over Niagara Falls in a barrel.

I venture to suggest that before making any commitments as to a general conference you have a clear understanding with him concerning its scope and mandate. I think you will agree that one of our greatest difficulties has been that there are too many mediators and that increasing their number will hardly serve to enhance the possibility of settling the Chaco problem. On the other hand there would seem to be some question as to the advisability of convoking a general conference to elaborate peace machinery for the future while the principal existing disagreement remains unsolved.

In the light of the unfortunate experience of this Conference it is clear that any conference entrusted to the guidance of Saavedra Lamas will be handled with a maximum of ineptitude and a minimum of hope. [Gibson.]

WEDDELL

724.34119/237 : Telegram

The Secretary of State to the Chargé in Bolivia (Muccio)

WASHINGTON, October 17, 1935—2 p. m.

26. The Department is advised that the Chaco Peace Conference at Buenos Aires handed to the Bolivian and Paraguayan delegations at a plenary meeting on October 15 a comprehensive plan⁹⁶ for the solution of the whole Chaco question, together with an explanatory statement in writing. Copies of the proposal and explanatory statement are being sent by mail to La Paz where they will be delivered to the Government by the Argentine Minister on behalf of the Chairman of the Conference; as there is for the moment no Argentine diplomatic representative in Asunción, the same documents are being sent

⁹⁶ See *Report of the Delegation of the United States of America to the Peace Conference Held at Buenos Aires July 1, 1935-January 23, 1939*, p. 77; see also "Propuesto del 15 de Octubre de 1935" in *Ministerio de Relaciones Exteriores y Culto, La Conferencia de Paz del Chaco 1935-1939 . . .* (Buenos Aires, 1939), p. 751.

by mail to the American Minister at Asunción for delivery to the Paraguayan Government as coming from the Chairman of the Conference. Ambassador Gibson is sending copies of the documents to you for your information.

Please keep in touch with the Argentine Minister and when you are advised that he has delivered the documents to the Bolivian Government, then call on the Minister for Foreign Affairs and state to him orally, without leaving any *aide-mémoire*, that your Government believes that this proposal offers a highly satisfactory basis for agreement and that it is the fervent hope of your Government that it may be accepted by both Bolivia and Paraguay, thereby bringing this tragic conflict to a final and peaceful termination. You may add that your colleague at Asunción is expressing identical views to the Paraguayan Government.

HULL

724.34119/237 : Telegram

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

WASHINGTON, October 17, 1935—2 p. m.

16. The Department is advised that the Chaco Peace Conference at Buenos Aires handed to the Bolivian and Paraguayan delegations at a plenary meeting on October 15 a comprehensive plan for the solution of the whole Chaco conflict, together with an explanatory statement in writing. Copies of the proposal and explanatory statement are being sent by mail to La Paz where they will be delivered to the Government by the Argentine Minister on behalf of the Chairman of the Conference; and as there is for the moment no Argentine diplomatic representative in Asunción, the same documents are being sent by mail to you for delivery to the Paraguayan Government as coming from the Chairman of the Conference.

When you deliver the documents to the Minister for Foreign Affairs, please state to him orally, without leaving any *aide-mémoire*, that your Government believes that this proposal offers a highly satisfactory basis for agreement and that it is the fervent hope of your Government that it may be accepted by both Paraguay and Bolivia, thereby bringing this tragic conflict to a final and peaceful termination. You may add that your colleague at La Paz is expressing identical views to the Bolivian Government.

HULL

723.34119/230 : Telegram

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

WASHINGTON, October 17, 1935—4 p. m.

144. For Gibson. Your 244, October 12, 4 p. m. The Argentine Ambassador has communicated to me the instructions received by him from Saavedra Lamas, which correspond in general to the statements made by the latter to you.

In my first conference with the Ambassador on the subject, I said that the suggestion of Dr. Saavedra Lamas was one of such importance that I desired to have some time in order to give the matters involved the full thought and study which they merited. In a further conversation with the Ambassador today, I requested him to transmit to his Government the following views of this Government with regard to the approach made by Saavedra Lamas :

1) The initiative of the President ⁹⁷ was contemplated last July at a time when the Protocol of June 12th had recently received the formal approval of both belligerents and the atmosphere resulting from such approval was highly favorable. A definite agreement had been arrived at between Paraguay and Bolivia providing for a pacific settlement of the dispute. The President's initiative did not contemplate that the proposed inter-American conference should deal with the Chaco dispute. On the contrary, it was premised upon a prior agreement between the two belligerents for the settlement of the dispute in the belief that such agreement for the settlement of the sole remaining open controversy between two American republics would provide the most favorable possible moment for the consideration by all of the American republics of the steps which they might jointly take to safeguard themselves, so far as it might be possible, against the danger that future controversies might result in warfare between American states. Consequently, if the President now proceeded with the initiative which he has had in mind before it is known whether the proposal which has been addressed by the Buenos Aires Conference to the two belligerents looking towards a direct agreement is accepted, or, should this proposal be rejected by one or both of them, before an arbitral compromise has been agreed upon by Bolivia and Paraguay, the original purpose of the suggested inter-American conference would now presumably be completely transformed and the suggested conference would merely result in an enlargement of the present Mediation Conference at Buenos Aires.

2) Furthermore, it was pointed out to the Ambassador that in view of the exclusion of certain important American states, such as Mexico, Colombia, and Cuba, from the present Buenos Aires Chaco Conference, it might be exceedingly difficult to persuade those states now

⁹⁷ See pp. 1 ff.

to take part in an inter-American conference called to deal with the Chaco dispute after the present conference had failed in its objective.

3) I also called to the Ambassador's attention the wording of the third paragraph of Article I of the Protocol of June 12th, which, in the judgment of this Government, lays upon all of the states represented at the Buenos Aires Chaco Conference the moral obligation to continue in session, should negotiations for a direct agreement fail, "as long as the arbitral compromise is not definitely agreed upon". I stated that I was sure the Argentine Foreign Minister would agree that in view of the wording of this paragraph, no single one of the mediators now represented in Buenos Aires could assume the responsibility of "having the question go back to Europe" as Dr. Saavedra Lamas fears judging from his statement to you as quoted in your cable 244. I made this statement to the Ambassador in view of the action taken by Dr. Saavedra Lamas in September 1934,⁹⁸ although without explicitly referring to that incident.

4) The Ambassador inquired whether this Government would support the holding of an inter-American conference to deal with the Chaco dispute in the event that the present suggestion for a direct agreement failed and in the event that no agreement upon an arbitral compromise could be reached. To this inquiry, I replied that, of course, this Government would not at this time close the doors to any means whatsoever of obtaining a satisfactory pacific settlement of the Chaco dispute and that if, in its judgment, at some later date, the holding of a special inter-American conference seemed to be the only remaining hope, it would naturally be disposed to give such proposal favorable consideration. I emphasized, however, the fact that in the opinion of this Government that moment had not yet been reached and could not, in our judgment, be reached until every effort to obtain a solution under Paragraph 3 of Article I of the Protocol of June 12th, had been conscientiously made.

5) In conclusion, I stated that it seemed to this Government that the Protocol of June 12th, in the formulation of which Dr. Saavedra Lamas had had so important a share, provided the best possible means of promoting a satisfactory pacific settlement of the Chaco dispute, and that it further appeared to call for the continuous session of the present peace conference at Buenos Aires so long as an agreement had not been arrived at.

It would presumably be helpful if you reiterated these views to Dr. Saavedra Lamas personally whenever you deem the moment opportune. Please cable the result of such conversation.

HULL

⁹⁸ For report of instruction by Saavedra Lamas to Argentine representatives for attitude of passive observance with respect to the League of Nations Chaco Commission, see telegram No. 170, September 30, 1934, from the Ambassador in Argentina, *Foreign Relations*, 1934, vol. iv, p. 91.

724.34119/240 : Telegram

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

BUENOS AIRES, October 18, 1935—6 p.m.

[Received 7:42 p. m.]

247. From Gibson. Department's 144, October 17, 4 p. m. I discussed the subject with Saavedra Lamas at lunch today. He had heard from Espil, appeared greatly gratified by your "understanding reply", and said that he has now abandoned all thought of a general conference⁹⁹ in order to devote himself to carrying on the present effort. He is, however, in a highly changeable state of mind and I should not like you to take this resolution of his too seriously as there is no telling what attitude he may have tomorrow.

The Mexican Ambassador, Puig, told Dawson today that on October 8 Saavedra Lamas had told him that Secretary Hull was "pressing" him to call a general American conference. This may have certain interest, in view of the fact that he first broached the subject to me on October 11. [Gibson.]

WEDDELL

724.34119/241 : Telegram

*The Ambassador in Argentina (Weddell) to the Secretary of State*BUENOS AIRES, October 18, 1935—10 a. m. [*p. m.*?]

[Received October 19—3:22 a. m.]

248. From Gibson. My 246, October 15, 8 p. m.¹

1. Zubizarreta² and Rivarola³ today stated . . . before a number of the neutral delegates including myself that the Conference's proposal of October 14th [*15th?*] was so preposterous that they did not intend to submit it to their Government, that they expected to ask for a plenary session shortly in order to reject it on their own responsibility; and that it did not even afford a basis for counter proposals.

2. The Paraguayans have expressed indignation that the mediators should venture to suggest the line and have insisted that they intend to retain the whole Chaco, abandoning their previously expressed readiness to consider an intermediate boundary line. They

⁹⁹ See pp. 1 ff.

¹ Not printed.

² Gerónimo Zubizarreta, chairman of the Paraguayan delegation.

³ Vincent Rivarola, member of the Paraguayan delegation.

thus ignore the facts, (1) that Zubizarreta solicited such suggestions (Dawson's 214, September 21, 4 p. m.), and, (2) that the line proposed by the Conference is substantially the same as that which he indicated late in August would be acceptable to Paraguay (paragraph No. 2 of Dawson's 194, September 2, 9 p. m.). While the Conference's line gives Bolivia a few kilometres more of flooded land on the Paraguay River it runs to a point on the Pilcomayo River higher than any contemplated in the August conversations.

3. On the other hand, Elío expressed himself to me today more reasonably than at any recent time and said that he proposed to leave next week for La Paz in order to confer with his friends about the proposal. He said that he could only then judge as to the possibilities of acceptance but indicated that he was favorably impressed and stated that he would exhaust every possible effort in favor of agreement. [Gibson.]

WEDDELL

724.34119/243 : Telegram

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

BUENOS AIRES, October 19, 1935—4 p. m.

[Received 9:35 p. m.]

249. From Gibson. Department's 144, October 17, 4 p. m. The Department's view of the duty of the Conference as outlined in paragraph 3 is shared by the mediators.

However, a new situation has arisen which calls for consideration.

As regards direct agreement the Paraguayans have repudiated their recent statements as to what they would be prepared to accept and have reverted to their earlier claim that they won the war and are consequently entitled to all the territory they now hold (my 248, October 18, 10 p. m.).

As regards arbitration they have all along stated that failing direct agreement they would refuse to submit to arbitration any part of the Chaco now held by them.

Due to the faulty drafting of the Protocol of June 12th, the matter can go to arbitration only on the basis of agreement between the parties. Therefore, there is no hope of progress so long as the Paraguayans maintain their present attitude.

The reason for their stand is a matter for conjecture. In the light of all the facts there may be ground for the belief that they have never intended to reach agreement but signed the Protocol in order to get the Conference to take over the maintenance of their maximum occu-

pation and demobilize the Bolivian Army (see my letter of August 6 to Welles,⁵ pages 8 to 12).

Since writing the above I have read an interview with Ayala⁶ published in this morning's *Nación* stating that "if under the auspices of the Conference Paraguay and Bolivia solemnly bind themselves to undertake to respect the present lines of occupation as if they were definite frontiers pending the conclusion of a boundary treaty there will no longer be any objection to the complete return of the prisoners".

It would appear that Paraguay is counting upon the prisoners of war as a club to force acceptance of their territorial aspirations and upon the Conference to keep the Neutral Military Commission functioning in the Chaco in supervision of the various security measures, thus effectively guaranteeing their possession up to the present lines of separation.

The Conference will, therefore, probably find itself in the near future upon the horns of this dilemma, either (1) maintaining the Neutral Military Commission, thus perpetuating the present situation as against Bolivia and encouraging Paraguay in its unyielding attitude, or (2) withdrawing the Commission in the knowledge that armed clashes will eventually result. Some of the mediators tentatively favor extending the functions of the Commission for a limited period of 2 or 3 months, but this would appear to have most of the disadvantages of both the above courses.

One fundamental difficulty is that Zubizarreta aspires to the Presidency as a rival to the official candidate who will probably be Riart. For their own point of view at first they must establish a clear record of having defended Paraguayan aspirations. There would, therefore, appear to be little hope of a more moderate attitude until the Presidential situation has become more clarified. Even then there is some question as to whether this will modify their stand as Paraguay already holds practically all of the Chaco and sees no reason for concession particularly if the mediating powers can be induced to continue to supervise the security measures and thus hold the territory for Paraguay.

The most discouraging feature of the situation is that the chairman of the Conference is vacillating and will not confront difficulties. Yesterday, for instance, when the Paraguayans commented offensively on the Conference proposal, instead of adopting a firm attitude he besought them not to attack the proposal but to remember that it is only a suggestion and that if they do not like it we will try to evolve another one. This, of course, merely encourages them to remain *intransigent*.

⁵ Not found in Department files.

⁶ Eusebia Ayala, President of Paraguay.

There are now two immediate problems: (1) how to deal with Paraguayan *intransigence* and, (2) how to keep the Conference alive awaiting possible developments more favorable to agreement.

We are to meet Monday to begin discussion as to how the situation can be met. It would be very helpful if I might have your views as soon as possible. [Gibson.]

WEDDELL

724.34119/243 : Telegram

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

WASHINGTON, October 21, 1935—5 p. m.

145. For Gibson. Your 249, October 19, 4 p. m. With regard to problem (1) indicated in the penultimate paragraph of your telegram, it may well be that the apparent change of attitude evidenced by Zubizarreta and the other Paraguayan Delegates will not be shared eventually by President Ayala and General Estigarribia.⁷ In view of the reasonable point of view taken by these two latter on repeated occasions during the past 18 months, it is to be hoped that after mature reflection these two principal figures in the Paraguayan Government will perceive the advantage of agreeing to accept the project offered as a basis for direct agreement. I⁸ shall see the Paraguayan Minister tomorrow and request him to communicate with his brother in the confidential code he employs, setting forth in full detail the attitude of this Government, and expressing the hope that the Paraguayan Government will not reject the project, but will agree to accept it as a basis for final settlement.

For your confidential information, the Bolivian Minister called to see me this morning to advise me that he had received the full text of the project from his Government by cable and that his recommendations thereon had been requested. Inasmuch as he has consistently been entirely intransigent in the past, I was pleased to learn that he intended to recommend to his Government the acceptance of the project by Bolivia. He gave me to understand further that the information he had received from La Paz showed an atmosphere favorable towards acceptance.

With regard to problem (2) indicated in your telegram under reference, it would seem highly desirable to continue the Neutral Military Commission in existence at least until definite information

⁷ José F. Estigarribia, Commander in Chief of the Paraguayan Army.

⁸ Presumably Sumner Welles, Assistant Secretary of State, by whom this telegram was drafted.

is obtained whether the present project will be accepted by both belligerents as a basis for agreement. Article III of the Protocol would seem to be sufficiently elastic to permit of a construction thereof enabling a continuation of the Neutral Military Commission. It would seem preferable to make no change in the present status of the Commission until the time has come to determine whether arbitration remains the sole existing solution.

HULL

724.34119/252 : Telegram

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

BUENOS AIRES, October 24, 1935—4 p. m.

[Received 5 : 50 p. m.]

256. From Gibson. Last paragraph your 145, October 21, 5 p. m. The Neutral Military Commission's report stating that all security measures called for by the Protocol have been complied with has been submitted to the Conference and accepted. The Conference cannot, therefore, delay much longer its declaration that the war is at an end. The mediatory delegates are in agreement that under the terms of article No. 2, paragraphs (b) and (d), and the penultimate paragraph of article No. 3 of the Protocol, the mandate and right of the Neutral Military Commission to maintain the lines of separation between the two armies will thereupon lapse.

In order to meet the situation, it has been decided to take advantage of communications made some time ago to the chairman of the Neutral Military Commission by the Bolivian and Paraguayan commanders-in-chief; the Bolivian asked that a neutral body be formed to police the lines of separation after the termination of the activities of the Neutral Military Commission and the Paraguayan agreed in principle to this suggestion. So as to have the necessary assent of the parties on record, the chairman of the Conference is consequently today requesting the two Governments to ratify their acceptance.

If approval is given it is intended to entrust the task to Uruguayan officers acting on behalf of the Conference; the enlisted force would continue to be half Paraguayan and half Bolivian.

The length of time which the new body would serve has not been specified in order to leave the Conference free to take such action in regard thereto as may be advisable after further developments. [Gibson.]

WEDDELL

724.34119/255 : Telegram

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

BUENOS AIRES, October 26, 1935—1 p. m.

[Received 2 p. m.]

261. From Gibson. My 256, October 24, 4 p. m. After several weeks of delay due to the systematic obstruction of the Peruvian delegate mediators last night agreed upon text of declaration that war is at an end. This document will be communicated to the parties at a plenary meeting on Monday. [Gibson.]

WEDDELL

724.34119/261 : Telegram

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

BUENOS AIRES, October 28, 1935—6 p. m.

[Received 8:10 p. m.]

263. From Gibson. Plenary session of Conference this afternoon devoted to:

1. Reading of communications from Bolivian and Paraguayan Governments ratifying acceptance in general terms of proposal for continued policing of zone of separation by a neutral body.

2. Formal adoption of the resolution that the war is at an end in accordance with article 3 of the June 12 Protocol. Text of resolution is being given to the press. [Gibson.]

WEDDELL

724.34119/263b : Telegram

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

WASHINGTON, October 30, 1935—5 p. m.

153. For Gibson. The Bolivian Minister informed me this morning that the reply of Bolivia had been transmitted to the Conference at Buenos Aires and that Dr. Elío had been instructed to give you orally the views of the Bolivian Government with regard to its reply.

The Minister of Paraguay was informed by cable from his government 2 days ago that the Paraguayan reply, while in the form of a rejection of the proposal offered, nevertheless left the way open for a continuation of the negotiations on the basis of the proposal made by the conference.

Please cable summaries of the texts of the two replies as soon as they are made available to you.

HULL

724.34119/264 : Telegram

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

BUENOS AIRES, October 30, 1935—9 p. m.

[Received 11:50 p. m.]

267. From Gibson.

1. The Bolivian and Paraguayan delegations have received instructions as to the replies which they should make to the neutral proposal of October 15, and are expected to present them Saturday. Our information is that both answers will for all practical purposes constitute rejection and that the stand of both parties to the territorial question will be so irreconcilable as to show clearly that there is no possibility at the present time of direct agreement.

2. We consequently expect to be faced with the necessity of deciding whether, (1) to postpone consideration of the territorial problem until conditions are more propitious for its solution or, (2) to go on to the next step, the attempt to formulate the terms of arbitration.

3. The second course is open to serious difficulties. Under the June 12th Protocol, a formal declaration that direct agreement is impossible is a necessary preliminary before the arbitral compromise can be taken up; this would close the door to renewal of efforts for such an agreement. The soundings which we have made show that the chances that the parties will agree to the terms of an arbitral compromise [*compromise?*] are even less than those of direct agreement. We would, therefore, either have to continue in session indefinitely in compliance with the terms of the Protocol but with no hope of success or eventually bring the labors of the Conference to an end on the ground that the intransigence of the parties released the mediators from their undertaking to continue in session.

4. The mediators have given careful consideration to the course to be pursued. All, even the Peruvian, are now of the opinion that if we are to avoid complete failure or endless stagnation we must shortly adjourn the Conference in the hope that time will alter the Bolivian and Paraguayan attitudes. Adjournment for a short period would only result in our being again faced with the same situation with nothing new to do about it. The consensus of opinion therefore, is that we should adjourn until after the beginning of the next Presidential period in both countries which is scheduled to take place on August 15, 1936. There seems to be no possibility of more favorable conditions before then.

5. It is not intended that the territorial problem should be allowed to drift during the period of adjournment. As a matter of fact, much could be done toward bringing the parties into a more reasonable

frame of mind. Informal preparatory work in the capitals and such conversations as those contemplated by Macedo Soares with Estigarribia and Elío could be carried out with much more chance of success than if competing with the Conference.

6. The mediators agree further that the prisoners of war problem must be solved before adjournment can be taken. The Paraguayans have recently made informal overtures to various of the neutrals and have suggested that they would be willing to agree to the mutual return of all prisoners provided they received additional guarantees as to the maintenance of the present line of separation and/or compensation for the cost of maintaining them. The first of these desiderata would be met in part by the maintenance of the Uruguayan police in the neutral zone until after the renewal of the Conference's activities next year when the whole question would again be reopened. We have under consideration several methods for solving the prisoners question and are favored by the facts that they are becoming something of a burden to the Paraguayans and that the latter cannot fail to see that their efforts to use the prisoners as a club to ensure Bolivian acceptance of extreme Paraguayan territorial aspirations are fruitless.

7. Should the prisoners of war question be solved the Conference could adjourn with some public credit by pointing to its considerable achievements in securing (a) the termination of the war; (b) demobilization of the armies; (c) reduction of standing forces to 5,000 men; (d) obligations not to acquire arms or, (e) commit acts of aggression; (f) release of prisoners of war; (g) providing for the War Responsibility Tribunal, and stressing the fact that the only remaining outstanding question would be the territorial one; that several months of effort had shown that a considerable amount of preparatory work remains to be done before the Conference could again attack this final problem with prospects of success.

8. There is general agreement among the mediators that if adjournment is decided upon, action should be taken as expeditiously as possible after the receipt of the replies of the parties. We are consequently making every effort on the prisoners question.

9. I shall be glad to have your views. [Gibson.]

WEDDELL

724.34119/264 : Telegram

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

WASHINGTON, October 31, 1935—5 p. m.

156. For Gibson. Your 267, October 30, 9 p.m. I feel it is highly undesirable to consider the possibility of adjourning the peace con-

ference at this juncture for any considerable time. You state that your information is that both the Bolivian and Paraguayan replies will for all practical purposes constitute rejection. The Minister of Bolivia has very confidentially informed me that the original draft of the Bolivian reply was favorable and that the reply was modified after the tenor of the Paraguayan reply became known to the Bolivian Government although the Bolivian Government in reality still shared the Minister's own view that the proposal in general should be regarded as acceptable by Bolivia. Elfo may of his own initiative explain this to you personally. It has also been intimated to me by the Paraguayan Minister that although in the form of a rejection, the Paraguayan reply is to be construed as leaving the door open for further negotiations for a direct agreement based upon the proposal of the conference. Consequently it would seem to be bad tactics on the part of the conference to consider an adjournment of more than a very few weeks so long as there is even the remotest possibility of obtaining a direct agreement between the belligerent governments.

Adjournment for any protracted period would seem all the more undesirable if the neutral delegates at the conference are correct in believing that the belligerents will not agree upon the formulation of the terms of arbitration. The position taken by this Government has been as you know that all of the neutral governments represented at the conference assumed the moral obligation to continue working for peace until a definitive peace was obtained. The conference itself is the patent demonstration that the neutral governments are openly and jointly cooperating in this sense. Its practical utility is obvious in avoiding the constant crossing of wires which occurred so long as various neutral governments were undertaking independent peace moves.

In any event, I hope you will not permit the other delegates to obtain the impression that this Government could agree to a lengthy adjournment of the type indicated in paragraph 4 of your cable under reference until the Department has been afforded the opportunity of studying the texts of the replies made by the Bolivian and Paraguayan delegations.

If, as I assume from the information given me by the Bolivian and Paraguayan Ministers, the replies have the nominal form of a rejection of the proposal but still leave the way open for continued negotiation on the basis of the proposal, a relatively short adjournment might be considered. During this period the confidential conversations referred to in paragraph 5 of your telegram could be undertaken.

HULL

724.34119/265 : Telegram

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

BUENOS AIRES, November 1, 1935—4 p. m.

[Received 4:32 p. m.]

268. From Gibson. Your 156, October 31, 5 p. m. The neutral delegates are, of course, in full agreement that if the Bolivian and Paraguayan replies to the October 15 proposal show any possibilities of direct agreement, the Conference should remain in session until they are exhausted. There has been no consideration of adjournment, whether for a short or a long period, under such circumstances.

My 267 was prompted by the necessity for reporting that the Bolivian and Paraguayan delegates here give us a different and less hopeful forecast. I considered it desirable that you have the picture before you in order to avoid loss of time in readjustment if developments here bring about an impasse.

Zubizarreta and Elío, in their conversations with us, have given us clearly and repeatedly to understand that the replies will ask for such fundamental changes in the proposal as to be irreconcilable. They have themselves expressed the opinion that direct agreement is impossible at this time and both favor adjournment.

The replies will probably be delayed until next week when I shall, of course, report in full, and you will be able to judge as to the line we had best take. [Gibson.]

WEDDELL

724.34119/272 : Telegram

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

BUENOS AIRES, November 6, 1935—7 p. m.

[Received 11:20 p. m.]

270. From Gibson. My 267, October 30, 9 p. m.; Department's 156, October 31, 5 p. m.; my 268, November 1, 4 p. m.

1. Bolivian and Paraguayan replies delivered in writing to the chairman of the Conference last night.⁹ Copies and translations being forwarded by airmail tonight.

2. (a) Bolivian reply is a courteous and carefully worded document. It states that as any direct agreement would be a compromise it must be based on the possessions of both countries immediately

⁹ For texts, see Ministerio de Relaciones Exteriores y Culto, *La Conferencia de Paz del Chaco, 1935-1939* (Buenos Aires, 1939), pp. 760-774; also *Report of the Delegation of the United States of America to the Peace Conference Held at Buenos Aires July 1, 1935-January 23, 1939*, pp. 125-134.

before the outbreak of the war and on the various boundary treaties negotiated in the past between Bolivia and Paraguay.

(b) It characterizes the boundary suggested in the October 15 proposal as "inequitable"; expresses "the need for a reexamination by the Peace Conference of the fundamental bases on which a direct agreement can be reached"; and states that Bolivia "considers that the direct agreement with Paraguay should recognize Bolivian sovereignty at least over the littoral between Bahia Negra and Fort Olimpo and fix the boundary in the interior by means of a straight line from the latter terminating at Fort Linares on the Pilcomayo River."

(c) Subsidiary questions in proposal are not discussed except for a statement that the prisoners of war question cannot be linked with the territorial question and that the "ex-prisoners" who have "automatically recovered their status as free men as a result of the formal declaration that war is at an end cannot continue in captivity."

3. (a) Paraguayan reply is a categorical rejection of the October 15 proposal couched in sarcastic and insolent terms. It expressed Paraguayan "formal dissent" to the proposal. In the following which is a careful summary of the reply, the brief quotations will indicate the tone adopted.

(b) The suggested boundary line is disposed of with a statement that it "seriously impairs" the "fundamental interests and rights of Paraguay." It is stated that the draft is not "based on geographical, historical or juridical reasons or those of any other fundamental nature. The lines which it suggests are purely geometrical, in other words, artificial. We can see in it nothing but a purely bargaining concept." "We are invited to give up a situation consolidated by centuries of possession and that is a great deal, far too much."

(c) The explanatory statement accompanying the proposal is referred to: "We have carefully considered the explanatory statement accompanying the draft and we find nothing in it which serves to justify the latter".

(d) The access of Bolivia to the Paraguay River is indignantly rejected and the following is said regarding the interior line: "The granting to Bolivia of a large zone of the interior is also unjustifiable. It has, of course, not been suggested on any other basis than that of more or less equal division, as if it were a no-man's-land." "It is a penalty unjustifiable that a *de facto* and *de jure* situation or state be ignored by mere diplomatic action."

(e) The line is taken that the entire proposal is an attempt to impose Bolivian desires. "In the draft there is not the slightest correlation of the aspirations of one party and the other. From the entire tenor of its provisions arises the idea that Bolivian aspirations had greater weight than Paraguayan realities." "The draft of the media-

tors offers Paraguay nothing which it does not already have and instead a loss of a large part of what she does have." "We have searched the draft in vain for a single clause which gives moral satisfaction to our country or grants it a legitimate benefit."

(f) The suggestion of a free port at Puerto Casado and transit facilities is referred to as another "totally unjustified concession which it is proposed that Paraguay make to Bolivia."

The suggestion as to a demilitarized zone is disposed of by saying that it "is naturally inapplicable to Paraguay."

(g) Only the following comment is made on other questions: "We shall say nothing as to the provisions regarding prisoners of war except that they can be usefully examined when an agreement on the fundamental problem has been reached. There is also no interest in examining other provisions of the draft in view of our absolute disagreement with everything fundamental which it contains."

(h) The reply terminates: "The negotiations to reach a solution are to continue and it is our understanding that their point of departure should be the recognition of Paraguayan sovereignty over the entire polygon enclosed by the lines of the present positions, in other words, on the basis of the present territorial *status quo*, without this affecting the submission to legal arbitration of the rest of the western territory in order to establish the definitive lines of separation between Paraguay and Bolivia."

4. Telegraphic comment follows tomorrow. [Gibson.]

WEDDELL

724.34119/273 : Telegram

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

BUENOS AIRES, November 7, 1935—9 p. m.

[Received 11:59 p. m.]

271. From Gibson. My 270, Nov. 6, 7 p. m.

1. We are now definitely faced with the situation forecast by my telegram 267 of Oct. 30, 9 p. m.

2. Bolivian and Paraguayan replies are of such nature as to render direct agreement on the boundary impossible at this time. Our line is midway between the lines each desires and yet it was rejected by one as unjustifiable and by the other as inequitable. I cannot see how there is any present prospect of drawing any line which will satisfy both parties.

3. The situation as to arbitration has been defined by the Paraguayan reply and offers even less possibility of success than before. On the other hand, the Paraguayans have now stated clearly that they will insist on retaining the territory up to their present line of

occupation and will arbitrate only the territory between that line and their undefined extreme claims. On the other hand, Bolivia has held invariably from the first that if a direct agreement cannot be reached the question of sovereignty over the entire Chaco must be submitted to arbitration.

4. Both replies take substantially the same positions on the territorial question as those presented by the Bolivian and Paraguayan delegations when the question was first taken up at the July 31 meeting of the Conference (see my telegram No. 161 of July 31, midnight).

5. The progress made during the negotiations of late August in getting the two parties to recede from their extreme positions has been entirely lost, and the Paraguayans, in particular, have repudiated all of the concessions which Zubizarreta then stated clearly that his Government would either be willing to grant or consider (Dawson's telegram No. 194 Sept. 2, 9 p. m.)

6. There have been similar changes within the past few days in the Paraguayan attitude in regard to the prisoners of war and the policing of the line of separation.

7. Negotiations on the prisoners had reached a point where all that remained in order to secure Paraguayan acquiescence to a formula for the return of prisoners was the fixing of a sum to cover the costs of maintaining them. At this stage the Paraguayans repudiated the whole scheme, blandly denying ever having given their assent to any of the matters discussed, and stated that they could not consider the release of the prisoners unless a large indemnity were given by Bolivia, and the latter guaranteed to respect the present line of separation as though it were a definite boundary pending a final settlement.

8. After agreeing expressly to the policing of the zone of separation by a neutral body, the Paraguayans have abruptly taken the stand that they will occupy the zone up to the intermediate line of separation, policing this territory with their own troops. Instead of neutral police, they are only willing to have one or two observers resident in the region who would receive complaints and endeavor to adjust disagreements. These officers would have no authority and would be confined to keeping the Peace Conference informed as to the situation. The Uruguayan delegates have stated that their Government will be unwilling to undertake the duty under the circumstances.

9. The unfortunate situation in which we find ourselves is the direct product of the internal political situation in both countries. As you are aware, elections in Paraguay are scheduled in March and in Bolivia in May. Until these are over and the political situation in both countries has clarified, there is no possibility of progress. The chief Bolivian and Paraguayan delegates are both candidates for the Presidency, Ayala and Tejada¹⁰ seem to have aspirations to suc-

¹⁰ L. Tejada Sorzano, Vice President of Bolivia.

ceed themselves, and there are numerous other potential candidates in both countries. Any retreat by either Government from the extreme position now taken would be immediately seized upon by the opposition for political reasons. In Bolivia, the situation is complicated by the fact that the present Government is a minority one with little popular or political support.

10. We are continuing our efforts for a solution of the prisoners question, despite the grave difficulties presented. The mediators continue to feel that if this problem can be solved, we shall have exhausted the present possibilities of achievement. The unanimous feeling is that we should then adjourn subject to recall by the chairman rather than fix any specific date for reconvening. This would permit reassembling the Conference at any time conditions become more favorable. We do not however foresee any probability of such a development until after the elections and the assumption of office by the newly elected Presidents in both countries.

11. We can see no useful service which we could perform by remaining in session in the full knowledge that there is nothing we can accomplish for months to come. On the contrary, there would be grave dangers in such a course. The relations of the Bolivian and Paraguayan delegates have become steadily worse in recent weeks, and they are not now in a state of mind to carry on negotiations. We should also be subject to the caprice of our chairman whose opportunities for mischief-making are greater if the Conference is in session.

12. If you are still opposed to adjournment under the conditions I have outlined, I should appreciate an early expression of your views as to the nature of the activities which the Conference could undertake so that I may have some guidance in meeting the general desire.

WEDDELL

724.34119/272 : Telegram

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

WASHINGTON, November 11, 1935—6 p. m.

158. For Gibson. Your 270, November 6, 7 p.m., and your 271, November 7, 9 p.m. I have given the fullest possible consideration to the information contained in your cables under acknowledgment and to the views you have set forth in them. After full reflection the Department still holds the views expressed in its cable 156 October 31, 5 p.m. These views in general, I understand, are shared by the Argentine and Brazilian Governments.

In view of the situation outlined in paragraphs 10 and 11 of your cable No. 271, it may be that if the conference can solve the problem of the exchange of prisoners satisfactorily the most practical solution

at this time would be an adjournment of the conference subject to call of the chairman, avoiding any public indication of the time for reconvening. Immediately after adjournment it might well be the endeavor of the various mediating countries by common accord to obtain both from Bolivia and from Paraguay reciprocal concessions based on the proposal of the conference with the hope that such concessions might open the way to a direct agreement. Should these further individual efforts fail of achieving the desired result, it is the view of this Government that the conference should then reconvene in order to proceed to the arbitral solution. I fully appreciate the major difficulties which this latter solution presents, but the mediating countries are obviously morally obligated to take this action. For your strictly confidential information, in the event of this latter contingency it might be that the President could then usefully proceed with his suggested peace conference initiative.

Please cable the present status of the negotiations involving the prisoners question.

HULL

724.34119/278 : Telegram

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

BUENOS AIRES, November 13, 1935—6 p. m.

[Received 6:21 p. m.]

274. Braden¹¹ arrived this afternoon.

WEDDELL

724.34119/281 : Telegram

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

BUENOS AIRES, November 15, 1935—8 p. m.

[Received 10 p. m.]

279. From Gibson. Department's 158, November 11, 6 p. m.

1. Negotiations on prisoners question have been proceeding slowly but we believe we are making progress. We have concentrated on the Paraguayans who have constituted the greater obstacle and are trying to draw up a formula which will satisfy them before submitting it to the Bolivians although we have necessarily kept the desiderata of the latter clearly in mind.

2. In general, the plan is for an agreement between Bolivia and Paraguay (1) providing for repatriation of all prisoners in return for a lump sum payment by Bolivia to Paraguay which would be repre-

¹¹ Spruille Braden, additional U. S. delegate to the Chaco Peace Conference.

sented as the balance between the amounts expended by both countries on the maintenance of prisoners and (2) containing a restatement of the security measures stipulated in article No. 3 of the June 12th Protocol making it clear that they are to remain in effect until the conclusion of a definitive treaty of peace. The repatriation would be under the supervision of agents of the Conference and take some months because of limited means of transportation. Payment would probably be in installments so spaced as to have all prisoners returned before final payment is made. The idea of a money payment is desired by Paraguay so as to have a justification before its public opinion for receding from its opposition to returning prisoners. Bolivian delegation acquiesces in principle provided the sum is not unreasonable.

3. Elío yesterday informed me that his Government was considering asking the Department to authorize the American Minister at Asunción to represent Bolivian interests in Paraguay with particular regard to the protection of prisoners. I discouraged the idea on the ground that we were hard at work on the prisoners question and hoped to have a solution satisfactory to both parties shortly. In this connection, the formula we have discussed with the Paraguayans includes the resumption of diplomatic relations between Bolivia and Paraguay.

4. Our information is not in accord with the Department's belief that the views expressed in its telegram No. 156, October 31, 5 p. m., are shared by the Argentine and Brazilian Governments. Saavedra Lamas has for some time openly and clearly advocated adjournment in conversations with all mediators and the belligerent delegates; there is no doubt that he formulates and directs Argentine foreign policy which President Justo leaves strictly to him.

5. So far as the attitude of the Brazilian Government is concerned our information from both Rodrigues Alves and Frost is that it is similar to that expressed in my 267, October 30, 9 p. m., and 271, November 7, 9 p. m. The following is quoted from a telegram of November 13, 7 p. m., from Frost:

"With reference to the adjournment of the Conference Macedo stated this afternoon that he did not feel this should take place until (a) some pretext for adjournment which would satisfy world public opinion had been carefully arranged and, (b) the question of the repatriation of the prisoners had been taken care of.

He stated that in his opinion any adjournment now should necessarily be for at least 8 months duration, inasmuch as it would not be practicable to reopen negotiations 3 or 4 months hence when both countries would be in the midst of their Presidential campaigns."

6. On going over our recent exchanges of the telegrams, a question arises in my mind as to whether I have sufficiently stressed the fact that so far as the mediators are concerned adjournment does not sig-

nify a suspension of work. It is unanimously agreed that once the prisoners question is solved we will have for the present exhausted the possibilities of working in meetings and should substitute for our profitless discussions another method of work which enables us to proceed under more favorable conditions and free from the machinations of our chairman. We are convinced that we should exhaust every effort formal or informal for direct agreement, even if this takes months, before going on to the arbitral compromise.

7. A breathing spell at this point is highly desirable in order to enable the delegates of both the contending parties and the mediators to get in personal contact with their Governments and to coordinate activities. The heads of the Bolivian and Paraguayan delegations have been here, respectively, for 6 and 4 months without a return to their countries and they are out of touch with changed conditions. They both express the desire for a visit home.

8. During the recess it would be our purpose to use every possible means to break down Bolivian and Paraguayan intransigence and get them to recognize that their real interest lies in early and direct agreement. One important phase of this which has been under consideration for some time would be the sending of carefully chosen delegates of the mediatory group to carry on informal conversations on the territorial question in La Paz and Asunción under leisurely conditions. Fortunately a convenient cover for carrying out such visits without having undue importance attached to them is afforded by the fact that the delegates best fitted for these soundings are included in the group now dealing with the prisoners of war question. They could make their visits to La Paz and Asunción during the period consumed in the repatriation of prisoners with the ostensible purpose of discussing matters connected with this operation.

9. No definite plans have been adopted but the general line of thought is that Nieto del Río should go to La Paz and Planchet [*Podestá?*] Costa or Rodrigues Alves to Asunción. It will be recalled that the first two successfully carried out the negotiations in La Paz and Asunción, respectively, which led to the convening of the mediatory group¹² while Rodrigues Alves has an excellent standing in Paraguay as the result of his 5 years' residence there as Brazilian Minister.

10. Obviously these visits should be coordinated but the very factors which make each of the gentlemen mentioned useful in one capital would hinder him in the other. Nieto del Río who definitely contemplates a visit to La Paz under any circumstance has expressed to me the hope that Braden will be able to go with him, and Rodrigues

¹² See pp. 46 ff.

Alves has told me that he would like Braden's collaboration if he should go to Asunción. I think it would be of great value if this could be done as the contending parties generally recognize that we are the most impartial of the mediating powers and as Braden's fresh point of view unaffected by 5 months of pounding over the same problems would be most useful in coordinating the results of the two visits. After the preliminary visits to Asunción and La Paz it would be possible to determine future movements, no rigid plans being laid down at this time.

11. Macedo Soares has extended invitations to Estigarribia and Elío to visit Rio de Janeiro, the initiative for the invitation coming from the two latter. Zubizarreta has also intimated that he would like an invitation to visit Rio after returning to Asunción. These contemplated conversations at Rio can be of great assistance if properly handled. In view of my personal relations with Macedo Soares, it is felt that my presence there can be useful in keeping him in line and making the utmost of the opportunity. [Gibson.]

WEDDELL

724.34119/288 : Telegram

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

BUENOS AIRES, November 23, 1935—4 p. m.

[Received 8 p. m.]

283. From Braden. Our 279 November 15, 8 p. m.

1. Formula embodying plan outlined in paragraph 2 (including maintenance of lines of separation as part of non-aggression pledge) and last sentence of paragraph number 3 of telegram under reference accepted *ad referendum* by Paraguayan delegation last Wednesday.

2. In conversations Thursday and yesterday Bolivian delegation expressed fundamental and unyielding opposition to formula. They have been instructed that prisoners question should be treated apart without being linked to any other matters, although they continue to express willingness to make a "reasonable" net payment to Paraguay for maintenance, et cetera, of prisoners. In private talks they characterize this as "necessary blackmail."

3. Bolivians insist they could consider a declaration continuing effectiveness of security measures of the June 12th protocol, only if it were embodied in an additional protocol ratified by the Bolivian and Paraguayan Congresses, which would also fill lacuna in the June 12th Protocol as to the drawing up of the arbitral compromise on the territorial question in case a direct agreement is not reached. While they have not defined their ideas clearly they contemplate a provision fixing a limiting date for agreement on the arbitral

compromise, failing which the question of sovereignty over the entire Chaco would automatically go to arbitration.

4. In our conversations without Paraguayans they refused categorically to include in the formula any clarification of the territorial arbitration provisions of the June 12th Protocol, or even their restatement.

5. Elío yesterday advanced the thesis that direct agreement had been proved impossible, and that the Conference should so declare, and proceed to the attempt to draw up the arbitral compromise. He recognized that the latter would be impossible of accomplishment, but reiterated the previous Bolivian position that in this event they would unilaterally request a decision by The Hague Court.

6. I took exception to Elío's stand and with the support of the other mediators expressed the opinion that possibilities of direct agreement were far from exhausted and that patience and time were essential.

7. The present Paraguayan attitude toward the prisoners question seems merely a camouflaged extension of their previous efforts to use the prisoners to obtain a favorable territorial settlement: with an agreement such as they desire, maintenance of present lines of separation would be guaranteed until conclusion of a definitive treaty of peace; Paraguay could thus in effect indefinitely secure the territorial aspirations expressed in its reply to the Conference proposal of October 15th by merely refusing to make direct agreement or draw up an arbitral compromise.

8. The Bolivians of course realize the implications of the Paraguayan position and therefore insist on provisions insuring arbitration within a definite time limit in exchange for agreeing on extension of security measures.

9. One possible course open to us might be limiting the extension of the security measures to a set period, say 2 years, and linking it with the question of policing the lines of separation (which is still under discussion) in a document separate from but to be signed at the same time as the proposed agreement for the return of prisoners. This would in every particular merely postpone the real problem rather than solve it.

10. A fear which may prove helpful, mentioned in previous telegrams, is that Paraguay is beginning to find the Bolivian prisoners a burden. It may be that with the passage of time Paraguay will realize that Bolivia cannot be induced in return for the prisoners to agree to what would be in effect the settlement of the Chaco question desired by Paraguay.

11. On the other hand Elío now unqualifiedly insists that as Bolivia has waited this long for a solution of the prisoners question it can

continue to do so. He appreciates the embarrassment which the retention of the prisoners may cause Paraguay and is also undoubtedly influenced in his attitude by the political and unemployment problems inherent in their return to Bolivia.

12. I wish to stress once more that the internal political situation in both countries with particular regard to the forthcoming Presidential campaigns is a dominating factor in the present state of the Chaco negotiations. [Braden.]

WEDDELL

724.34119/296 : Telegram

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

BUENOS AIRES, November 30, 1935—6 p.m.

[Received 10 p. m.]

290. From Braden. My 283, November 23, 4 p. m.

1. Past week devoted to intensive efforts to draw up a plan along different lines covering prisoners and securities questions in a manner satisfactory to both parties.

2. Under the plan the Conference would adopt a resolution interpreting the June 12th Protocol in the sense that the measures of security covered by paragraphs 2, 3 and 4 of article No. 3 of the Protocol shall continue in effect until the Conference definitely adjourns sine die and that the lines of separation shall be "supervised and controlled" by the Neutral Military Commission during the same period. The resolution would also recommend the renewal of diplomatic relations between Bolivia and Paraguay. The parties would accept the Conference's resolution by formal notes restating its provisions.

3. At the same time the Bolivian and Paraguayan delegations would sign a formal protocolized act providing for the prompt liberation and return of all prisoners under the supervision of the Neutral Military Commission. While there would be no reference in either document to the other they would in fact depend integrally upon each other and they would be adopted simultaneously.

4. The text of the documents has been agreed upon by the delegations of both parties except for certain minor details of drafting although the Paraguayan delegation insists that it must refer the matter to its Government before making any formal undertaking.

5. The one important outstanding point to be solved is the amount of the net payment to be paid by Bolivia to Paraguay for maintenance, et cetera, of prisoners. As a result of informal soundings the Paraguayans claim about 6,000,000 Argentine pesos while the Bolivians are willing to concede only about 500,000 Argentine pesos. We hope

in the course of further conversations to be able to split this fundamental difference but do not underestimate the difficulties of our task or the possibility that the entire negotiations may be shipwrecked on this point.

6. Cipher text repeated to Rio de Janeiro by air mail today. [Braden.]

WEDDELL

724.34119/299 : Telegram

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

BUENOS AIRES, December 4, 1935—1 p. m.

[Received December 4—12 : 40 p. m.]

293. From Braden. My 290, November 30, 6 p. m.

1. In further meetings the Bolivian and Paraguayan delegations have agreed on complete text of the two documents which make up the formula covering the prisoners and securities questions. Formula being sent by air mail despatch to the Department today; copies to Rio, Asunción and La Paz.

2. Conversations on the subject of net payment to be made by Bolivia to Paraguay for maintenance, et cetera, of prisoners have resulted in reduction of claim of Paraguayan delegation to 3,500,000 Argentine pesos while Bolivian delegation has indicated that its Government could pay 2,000,000 Argentine pesos.

3. Bolivian and Paraguayan delegations are transmitting formula to their Governments and asking for further instructions on matter of payment. We are continuing our efforts to bring them together on the latter point and hope eventually to reach a figure of 2,600,000 to 3,000,000 Argentine pesos.

4. Cipher text to Rio de Janeiro by air mail today. Asunción and La Paz also being informed by mail of substance of this telegram and of my 290. [Braden.]

WEDDELL

724.34119/301 : Telegram

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

BUENOS AIRES, December 6, 1935—8 p. m.

[Received December 6—7 : 50 p. m.]

294. From Braden. My 290, November 30, 6 p. m. and 293, December 4, 1 p. m.

1. Bolivian and Paraguayan delegations received replies from their Governments yesterday.

2. The Bolivian reply accepts formula with one minor change in wording about which there will be no difficulty but states that 1,800,000 Argentine pesos is the maximum net payment which the Bolivian Government can consider.

3. The Paraguayan reply demands (a) that security measures and lines of separation be maintained until "conclusion of treaty of peace" instead of until definite termination of Conference and (b) that the two documents be fused into a single "protocol". On the surface the form suggested by President Ayala would involve ratification by both Congresses but Zubizarreta expresses the opinion that Ayala would be satisfied if the two subjects of prisoners and security were linked by inclusion in a single formal resolution to be adopted by the Conference as a whole, making ratification unnecessary. While the Paraguayan reply does not mention the sum to be paid the Paraguayan delegation states that its Government's instructions to insist on 3,500,000 Argentine pesos net still hold.

4. Bolivian delegation objects to having any part of the present formula substituted [*submitted?*] to congressional ratification but has expressed willingness that the two documents be united and we believe we can find a wording as to the length of time for maintenance of security measures and lines of separation which will be acceptable to both parties. The vital point of difference is still the amount to be paid by Bolivia to Paraguay.

5. In the conversations of the Prisoners Committee with the two delegations we have not revealed to either the amount now suggested by the other. In an endeavor to reach a figure acceptable to both we have told the Bolivians that if they would raise their ante to 3,000,000 Argentine pesos net we would do our utmost to get the Paraguayans down to their figure; conversely we have stated to the Paraguayans that if they would lower their claims to 2,600,000 net we would bring pressure on the Bolivians to accept. Both delegations have undertaken to telegraph their Governments setting forth our arguments.

6. The various neutral delegates have agreed to suggest to their Governments that they call in the diplomatic representatives of the contending parties in their respective capitals and make representations backing those of the neutrals here. Saavedra Lamas who has not taken part in the committee conversation is calling in the Bolivian and Paraguayan Ministers here tomorrow to urge that Bolivia raise its offer and Paraguay lower its claim. You may wish to consider the possibility of talking along similar lines to Finot¹³ and Bordenave.¹⁴

¹³ Enrique Finot, Bolivian Minister.

¹⁴ Enrique Bordenave, Paraguayan Minister.

7. Cipher texts to Rio de Janeiro and La Paz by air mail; to Asunción by ordinary mail. [Braden.]

WEDDELL

724.34119/301 : Telegram

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

WASHINGTON, December 11, 1935—2 p. m.

172. For Braden. Your 294, December 6, 8 p. m. I have expressed to both the Bolivian and the Paraguayan Ministers the friendly hope of this Government that both Bolivia and Paraguay might feel it possible to make joint concessions in order that an agreement may speedily be reached as to the amount of the net payment to be made by the Bolivian Government. I have indicated the keen satisfaction of this Government because of the report that an agreement between the two belligerent governments is likely to be obtained on the other points now under discussion in the Conference at Buenos Aires and have expressed the belief that a prompt agreement on the financial consideration involved would facilitate a complete agreement on all of the points involved in the subjects of the return of prisoners and security measures.

Both Ministers welcomed the views expressed and promised to cable their Governments immediately.

HULL

724.34119/307 : Telegram

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

ASUNCIÓN, December 12, 1935—3 p. m.

[Received 5:21 p. m.]

76. Please refer to Braden's 294, December 6, 8 p. m. At the usual Foreign Office reception this morning the Minister for Foreign Affairs volunteered the information that negotiations for the return of prisoners of war were proceeding very satisfactorily and that they depended upon the matter of security for Paraguay through an agreement backed by the moral guarantee of the Peace Conference to respect the existing line of separation as fixed by the Neutral Military Commission until a final treaty of peace should be signed. He stated that such an agreement must be approved by the Congress of both countries as under the Bolivian constitution it would otherwise have no legal effect. He further remarked that once this matter was

disposed of payments for the maintenance and repatriation of prisoners of war would be secondary and that a matter of a million or so Argentine pesos one way or the other was of little importance.

Repeated to Buenos Aires.

HOWARD

724.34119/308: Telegram

The Chargé in Bolivia (Muccio) to the Secretary of State

LA PAZ, December 12, 1935—5 p. m.

[Received 6:05 p. m.]

60. Delegation's despatch No. 95, dated December 4th.¹⁵ Prisoners formula not to be submitted to Junta de Notables. President and Cabinet have considered matter, but President reported fearful of political repercussions if payment exceeding strict expenses is made and is therefore biding for time hoping amount may be reduced. Chilean Minister, under instructions of his Government, called on Foreign Minister expressing hope that Bolivia will accept formula. I personally believe Bolivia will accept and have been confidentially informed that requisite funds have already been set aside.

Bolivian delegation has been authorized to accept security formula. Repeated to Buenos Aires.

MUCCIO

724.34119/309: Telegram

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

BUENOS AIRES, December 12, 1935—11 p. m.

[Received December 13—5:35 a. m.]

295. From Braden. My 294, December 6, 8 p. m.

1. Developments in the last 24 hours make possibility that prisoners and securities questions can be settled at this time seem remote.

2. The Paraguayan delegation has received further instructions from President Ayala taking definite stand that Paraguay will under no circumstances consider return of prisoners unless (a) provision is made for maintenance of security measures and lines of separation until "conclusion of treaty of peace" and, (b) prisoners and securities questions are covered in a single formal protocol, (c) to be ratified by the Bolivian and Paraguayan Congresses. In discussing his instructions Zubizarreta has made it clear that the intentions of his Government are as indicated in paragraph 7 of my 283, November 23,

¹⁵ Not printed.

4 p. m. He has even urged wording the protocol to the effect that lines of separation would be maintained "in the same manner as an international frontier".

3. The present Paraguayan stand is thus a reversal of the more conciliatory one previously taken *ad referendum* by the Paraguayan delegation (see my 290, November 30, 6 p. m.; and 293 December 4, 1 p. m.). In his conversations with us Zubizarreta has appeared disconcerted with Ayala's present position which is in effect a disavowal of Zubizarreta. Ayala's attitude seems open to the implication of bad faith since his delegation more than 2 weeks ago accepted in principle the Conference formula of December 2nd transmitted with my despatch No. 95 of December 4, 1935¹⁶ and yet we have only now been advised that he considers the three points mentioned above, which alter it completely, as a *sine qua non*.

4. It is our impression the change in the Paraguayan stand is the result of internal political considerations. According to press reports Ayala left Asunción 2 days ago on what amounts to a political tour of Paraguay and our information is that he is actively working for an extension of his term. His intransigence in the defense of Paraguayan aspirations is valuable vote getting material while he can hardly seriously believe that the Bolivians would be willing in effect to trade the prisoners for the solution of the territorial problem desired by Paraguay. If Ayala does in fact desire to retain the Presidency he has maneuvered Zubizarreta, a potential rival, into the position of being willing to concede more to Bolivia than Ayala.

5. The Paraguayan delegation claims not yet to have received a reply from its Government to our suggestions that the Paraguayan claim for a net payment for return of prisoners be lowered. The Bolivian delegation has received additional instructions from President Tejada categorically reiterating the stand that the Bolivian Government will not pay more than 1,800,000 Argentine pesos.

6. Elío is thoroughly disheartened and confidentially informs me that regardless of developments he intends to return to La Paz about December 25. He says he will exert every effort to have the Bolivian offer increased if other points of divergence between Bolivia and Paraguay can be settled and believes he would be successful. He has gone so far as to state he would make a personal issue of the matter.

7. So far as the Paraguayan desiderata are concerned he has accepted point (b) and says that if Paraguay insists upon point (c) he would work for ratification by the Bolivian Congress of a protocol provided it was along the lines of the December 2nd formula and that he believes such ratification could be secured although with difficulty.

¹⁶ Not printed.

However, he insists there would be no chance of Bolivian acceptance of the maintenance of the lines of separation until the "conclusion of treaty of peace" unless some provisions were inserted making resort to arbitration effective within a definite time limit failing direct agreement.

8. If we cannot get the Paraguayans to return to a wording on the securities measures and lines of separation similar to that in the December 2nd formula, that is, that they "will be maintained as long as the Peace Conference does not dissolve" there seems to be no way out of the impasse at this time. The Bolivian insistence on such language is based on the moral protection which linking the maintenance of the lines of separation to the life of the Conference would give them against the strategy which Paraguay apparently intends to pursue; the Bolivians feel that under these circumstances the Conference could not countenance Paraguay's taking advantage of the guarantee of the *status quo* to refuse to make a settlement of the territorial question, whereas, if they accepted the Paraguayan wording they would be completely at Paraguay's mercy. If Paraguayans really intended to seek direct agreement on the territorial question or arbitration thereof the December 2nd language would be the equivalent of that put forward by them since the June 20th [12th?] Protocol obligates the Conference not to dissolve until this is accorded.

9. None of the neutral delegates see any hope in the present or any possibility of accomplishment on the various pending questions until after the Presidential succession in both Bolivia and Paraguay has been settled. Not only Elfo but Zubizarreta has announced his departure for home by the end of the year. The majority of the neutral delegates are worn out and have frayed nerves due to long and trying months of unproductive labor here.

10. The Paraguayan attitude has so incensed some of the neutrals that at a meeting this afternoon to discuss possible courses of action Nieto, the Uruguayans and to some extent Saavedra Lamas urged that the Conference, under article 1, paragraph 3, of the June 12th Protocol, declare direct agreement impossible, summon the two ex-belligerents to draft an arbitral compromise and, if as anticipated Paraguay refuses to submit the entire territorial question to arbitration, to declare that Paraguay is violating the terms of the Protocol and dissolve the Conference. I strongly oppose this program with Brazilian and Peruvian support, maintaining that the original plan should be followed for the renewal of our formal efforts to reach a solution of the territorial question once the political problems within the two countries are settled. The recent Paraguayan reports of the dispute with Argentina on the Pilcomayo boundary is undoubtedly a contributory factor in Saavedra Lamas' annoyance with Paraguay.

11. Despite the suggestion of more drastic action the consensus of opinion among the neutrals after consideration is that unless there is some unforeseen change the Conference should take a recess after making a public statement of accomplishments to date along the lines suggested in paragraph 7 of Gibson's 277, [267] October 30, 9 p. m. and in general terms of the efforts made to solve the prisoners question and the difficulties encountered, thus counteracting unfavorable press publicity; the plan to have visits made to Asunción and La Paz by neutral delegates outlined in paragraphs 8 to 10 of Gibson's 279, November 15, 8 p. m. would be followed but necessarily under the pretext of discussing the solution of the prisoners question rather than of supervising their return.

12. The great danger is that there will be no effective neutral supervision of the lines of separation. We will of course endeavor if the prisoners and securities negotiations fail to have the Bolivians and Paraguayans reach some *modus vivendi* on this point but are far from sanguine of success. It is my opinion that we should send neutral military representatives to the zone of separation to exert moral influence to avoid possible incidents between the armies even if granted no actual powers by the contending parties. After the return of the Neutral Military Commission from the Chaco one Uruguayan officer remained there as an observer but he was withdrawn by his Government after the break-down of the negotiations with Paraguay on the question of police (paragraphs 7 and 8 of Gibson's 271, November 6 [7], 7 [9] p. m.).

13. Saavedra Lamas today showed me a telegram he is sending to Espil instructing him to discuss with you a possible reaffirmation by the American Republics of the August 3rd, 1932 declaration¹⁷ with the object primarily of influencing the League of Nations against Anglo-French formula but incidentally in order to put Paraguay on notice once again that when territorial discussion is renewed she may not expect to remain at present lines. I told him that while I recognized that such a restatement might be helpful in the Chaco situation, nevertheless, we had placed ourselves definitely on record by signing the August 3rd declaration and that I did not believe there was anything substantial to be gained by repeating the declaration; I did not believe we would sign reaffirmation but at his special request I agreed to cable you informing you regarding our conversation.

14. Repeated to Rio de Janeiro by telegraph, to La Paz and Asunción by mail. [Braden.]

WEDELLE

¹⁷ *Foreign Relations*, 1932, vol. v, p. 159.

724.34119/309 : Telegram

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

WASHINGTON, December 14, 1935—4 p. m.

177. Your 295, December 12, 11 p. m. For Braden. I believe that the adjournment of the Conference before a satisfactory solution of the prisoners and security questions is reached would be highly regrettable.

The Paraguayan Minister has received a cable from his Government which he has communicated to me stating that the financial question is "of no importance" provided an agreement can be reached on the security measures and stating definitely that Paraguay would agree to any reasonable financial settlement provided the security question can be solved.

For your strictly confidential information with reference to paragraph 4 of your cable, the Minister has shown me a confidential letter from President Ayala stating that he will not agree to reelection under any conditions; that the agitation for reelection has died down, and indicating that Dr. Riart will be the presidential candidate.

With reference to paragraph 13 of your cable, I have expressed similar views to Espil. I have added that in view of the extreme uncertainty of the European situation and inasmuch as the matters involved in the Italo-Ethiopian conflict¹⁸ are exclusively under the jurisdiction of the League, participation at this juncture by the United States in a joint declaration as suggested would inevitably be construed as an indication of the intention of this Government to influence the deliberations of the League and the present peace negotiations and would in all likelihood tend to complicate the existing crisis rather than to assist in its solution.

HULL

724.34119/312 : Telegram

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

BUENOS AIRES, December 16, 1935—2 a. m.

[Received 3:38 a. m.]

297. From Braden. Department's 177, December 14, 4 p. m.

1. The entire situation in regard to the proposed settlement of the prisoners and security problems changed completely with Ayala's reply of December 5 (paragraph No. 3 of my 294, December 6, 8 p. m.). Previously financial terms were only important point of divergence as Bolivian and Paraguayan delegations had agreed on all other

¹⁸ See vol. I, pp. 594 ff.

points. Paraguayan reversal of position makes present situation as follows:

2. Financial settlement. From conversations with the Bolivian and Paraguayan delegates we are now confident that if agreement were reached on other points this would present no serious difficulty. Failing direct agreement on sum to be paid we believe that both parties could be induced to leave it to the Conference to fix the sum within the limits of the maximum which Bolivia has so far agreed to pay and the maximum which Paraguay is prepared to claim.

3. Congressional ratification. The Paraguayan Government is now adamant in insisting upon this point. Elío expressed willingness to accept if necessary but such procedure would entail difficulties and delay: (a) It is doubtful whether a quorum of the Bolivian Congress could be gotten together and if so whether ratification could be secured (see despatch No. 457 of October 16, from La Paz¹⁹); (b) the return of the prisoners would be delayed until after ratification instead of beginning within 30 days of signature of agreement as contemplated in Conference proposals. The question of ratification had been discussed in detail in earlier negotiations and every one including the Paraguayan delegates agreed it should be avoided. The change in the Paraguayan attitude was ordered by Ayala and did not come until 10 days ago. If what Paraguay desired were really security against possible Bolivian aggression an interpretation of the June 12th Protocol by the Conference as a whole in the sense that the security measures therein to remain in effect would be more valuable than a bilateral agreement with Bolivia even if ratified.

4. Wording of security clause. The Paraguayan insistence on the language they suggest makes it obvious, however, that they seek not ordinary security but a guarantee of the present lines of separation until it might meet their pleasure to conclude a definite treaty of peace. If their desiderata in the present negotiations were accepted they would have achieved practically their maximum territorial claims and have a protocol ratified by the Bolivian Congress which would enable them to retain all of the territory by the expedient of sitting tight and failing to enter into a direct agreement or an arbitral compromise. They would thus have no incentive to negotiate a treaty of peace on any terms other than ratifying the present occupation. It is, therefore, accurate to describe the Paraguayan strategy as attempting to trade the prisoners for the entire Chaco. There is not the faintest hope that Bolivia could accept this and the Conference would be discredited were it to lend any assistance to the Paraguayans in their apparent purpose in view of the provisions and intent of the June 12th

¹⁹ Not printed.

Protocol and of the term of its October 15th proposal for a territorial settlement dividing the Chaco.

5. Saavedra Lamas, Rodrigues Alves and I have spent days attempting to break down the stand of the Paraguayan delegates but they insist that they have categorical instructions from Ayala and cannot cede. It is futile to discuss the matter further with them as Ayala has disavowed their acceptance of the December 3rd formula and deprived them of any power to negotiate. It is evident therefore that Ayala is the only person with whom we can deal with any hope of success.

6. Saavedra Lamas on December 13th urged one of the Paraguayan delegates to fly to Asunción in order to give Ayala a full picture of the situation here. The Paraguayans countered by suggesting that I fly to Asunción with Rivarola; they asserted that in my capacity as chairman of the Prisoners Committee I could explain the situation to Ayala frankly and forcefully, whereas none of them as Paraguayan delegates could do so and that they were certain that in a straightforward talk of a few hours Ayala and I would be able to reach a satisfactory settlement. They consulted Ayala by telephone and he replied that it would be extremely important for me to come expressing himself in such terms as to be tantamount to an invitation. Saavedra immediately fell in with the suggestion and has since repeatedly and strongly urged that I go to Asunción offering us transportation in Argentine army planes.

7. When the suggestion was first made I unreservedly opposed it. On continued insistence by Saavedra Lamas and the Paraguayan Government I have finally agreed to submit the proposal for your consideration subject to the following conditions which have been accepted:

(a) That I be accompanied by Podestá Costa (he carried on the February 1935 negotiations in Asunción, he would be especially useful in drafting and his addition would divide the responsibility with the Argentines, test Saavedra's sincerity and guard against the latter's jealousy);

(b) That no publicity whatever be given to the trip and,

(c) That the trip should have the approval of the other delegations (the Bolivians, Brazilians and Peruvian[s] have expressed themselves strongly in favor of it; the Chilean and Uruguayan chief delegates not yet consulted as they are away over the week end).

8. I realize the possible difficulties and dangers in the course suggested but we are in a desperate situation which must be met by unusual means. We agree completely with you that adjournment of the Conference without a satisfactory solution of the prisoners and securities questions would be highly regrettable, particularly as under the resulting uncertain conditions the two nations might conceivably drift into a renewal of hostilities. It seems impossible for such a

solution to be reached unless some drastic step is taken to emerge from the impasse. It will be impossible to postpone the recess for more than a few weeks as the chiefs of the Bolivian and Paraguayan delegations have made it clear that they must return to their countries and the majority of the neutral delegates are anxious to suspend activities.

9. I am now disposed to think I should go and request your authorization. If I decide upon trip we will probably leave December 18 and return December 20.

10. Repeated to Rio de Janeiro. [Braden.]

WEDDELL

724.34119/312 : Telegram

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

WASHINGTON, December 18, 1935—noon.

178. For Braden. Your 297, December 16, 2 a. m. In view of the considerations advanced by you and the gravity of the situation which has been presented, the Department is willing to authorize you to fly to Asunción as you suggest. I feel, however, that it would not be desirable for you to proceed to Asunción even in your capacity as chairman of the Prisoners Committee accompanied solely by Podestá Costa. You will recall the bitterness of the feeling towards this Government prevalent in Paraguay 3 years ago and that this feeling has only recently been dissipated. In the event that any domestic controversy should later arise in Paraguay as to the course pursued by the Paraguayan Government and should it be claimed that a more conciliatory attitude which President Ayala might take after your visit was owing to undue pressure by this Government through your agency, the same hostility would again flare up. I think this danger can be averted if you are able to arrange to have the Brazilian Delegate, Rodriguez Alves, accompany yourself and Podestá Costa on this mission. From Gibson's reports and from your own telegrams, Rodriguez Alves has cooperated effectively and loyally in your endeavors to seek a solution of the present problems and it would be highly fitting that the Brazilian Delegate should participate in this mission.

Please discuss this suggestion immediately with Rodriguez Alves and subsequently with the other delegates at the conference. If the Brazilian Government is willing to authorize him to proceed with you, you are authorized to leave with him and Podestá Costa on any date you may agree upon. If the Brazilian Government is not willing to authorize Rodriguez Alves's accompanying you, cable the Department for further suggestions along these lines.

HULL

724.34119/312 : Telegram

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

WASHINGTON, December 19, 1935—1 p. m.

212. In response to a request received from Braden asking authorization to fly to Asunción in order to attempt as Chairman of the Prisoners Committee to obtain from President Ayala a more conciliatory attitude with regard to the prisoners and security negotiations, I instructed Braden not to undertake the mission unless he were accompanied by some other delegate, preferably by Dr. Rodriguez Alves. In view of the general hostility towards this Government which existed until recently in Paraguay, it seemed undesirable to have the American delegate undertake the mission unless he were joined by some other delegate. It would presumably be helpful if you were to discuss the matter with the Brazilian Minister for Foreign Affairs and also to express the hope of this Government that Dr. Rodriguez Alves be authorized to accompany Braden and the Secretary General of the Buenos Aires Conference on this peace mission to Asunción.

Please cable the reply which the Minister for Foreign Affairs may make in this matter.

HULL

724.34119/315 : Telegram

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

RIO DE JANEIRO, December 20, 1935—11 a. m.

[Received 11:20 a. m.]

344. Department's 212 December 19, 1 p. m. Braden having repeated to me Department's 178, December 18, noon, I took occasion to discuss the matter with Macedo Soares yesterday afternoon and he immediately instructed Rodriguez Alves by telegraph in the sense desired. I so informed Braden yesterday.

GIBSON

724.34119/316 : Telegram

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

BUENOS AIRES, December 20, 1935—7 p. m.

[Received 7:35 p. m.]

300. From Braden. Department's 178, December 18, noon. Rodriguez Alves, Podestá Costa, Nieto Del Río, Rivarola, Dawson and I leaving for Asunción tomorrow morning, returning Monday.²⁰ [Braden.]

WEDDELL

²⁰ December 23.

724.34119/324 : Telegram

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

BUENOS AIRES, December 24, 1935—4 p. m.

[Received 5:25 p. m.]

303. From Braden. My 300, Dec. 20, 7 p. m. We returned yesterday evening after a series of conversations with President Ayala and Minister for Foreign Affairs Riart. We secured a number of concessions which have been incorporated in a formula based on our Dec. 2nd proposal. We are favorably impressed with Ayala's attitude and are convinced trip was well worth while.

We intend to submit the formula to the Bolivians this evening. While they may present certain objections, we think the formula should satisfy their legitimate needs and hope they will accept. [Braden.]

WEDDELL

724.34119/327 : Telegram

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

BUENOS AIRES, December 30, 1935—4 p. m.

[Received 5:40 p. m.]

305. From Braden. My 303, December 24, 4 p. m.

1. December 22nd formula drafted by us with Ayala and accepted by him was forwarded to the Department by air mail December 27. Since our return we have run into difficulties with both the Paraguayans and the Bolivians and have been intently engaged in trying to overcome them.

2. Zubizarreta, in addition to several minor objections to text of December 22nd formula, expressed unwavering opposition to a provision included in it at Ayala's suggestion whereby Bolivia and Paraguay would agree to abandon recourse to the Responsibilities Tribunal provided for in article 1, clause 7 of the June 12th Protocol. He tendered his resignation as chairman of the Paraguayan delegation to Ayala, stating that he could not sign the December 22nd formula and would oppose it in the Senate.

3. We submitted the December 22nd formula to the Bolivian delegation on December 24 and they transmitted it to their Government. The reply received December 27 was a complete rejection of the formula insisting on the December 2nd proposal.

4. On December 28 we suggested to the Bolivian and Paraguayan delegations that they might agree on the December 2nd proposal with certain changes which were included in the December 22nd formula.

These are that (a) protocolized act would be subject to approval by the Bolivian and Paraguayan Congresses; (b) provisions extending effectiveness of security measures, including lines of separation, would be incorporated in the protocolized act instead of being an interpretation of the June 12th Protocol contained in a Conference resolution and (c) these measures would be maintained "until the provisions of article 1, clause 3 of the June 12th Protocol are fulfilled" instead of "as long as the Peace Conference does not dissolve."

5. The Bolivian and Paraguayan delegations have expressed satisfaction with this suggestion. In an attempt to compose his differences with Ayala, Zubizarreta since December 28 has been endeavoring to get the former's approval but so far has no definite answer. Should this be favorable the suggestion will be submitted to the Bolivian Government with which less difficulty is expected.

6. If other questions can be worked out, net payment by Bolivia to Paraguay for maintenance of prisoners will probably be set at 2,400,000 pesos. Ayala agreed confidentially to accept this amount which Elío has indicated Bolivia could pay.

7. Repeated to Rio de Janeiro by telegraph; Asunción and La Paz by mail. [Braden.]

WEDDELL

LETICIA DISPUTE BETWEEN COLOMBIA AND PERU ¹

721.23/2420 : Telegram

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

BOGORÁ, January 1, 1935—11 a. m.

[Received 8:30 p. m.]

1. Colombian Senate failed to approve Rio pact ² so that ratifications could be exchanged on December 31st. It has been the general feeling that approval would have been granted if a vote had been taken but this was prevented by the parliamentary tactics of the Conservative opposition. Conservative leader Laureano Gomez's term as President of the Senate expired on the 31st. Public sentiment is apparently in favor of the pact and it may be ratified early in January under a new Senate President. It is understood that the Government is considering trying to obtain Peru's consent to a later exchange of ratifications.

WASHINGTON

721.23/2422 : Telegram

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

BOGORÁ, January 3, 1935—noon.

[Received 4:08 p. m.]

3. Fabio Lozano was yesterday elected President of the Colombian Senate for the month of January by 29 votes to 26. The majority votes were cast by Liberals Lozano and Peralta and by 27 Conservatives. Conservative Urdaneta cast a blank ballot.

As a result of the above voting liberal leadership is completely demoralized; the inability of President Lopez to control Congress is more definitely a fact; the understanding between Laureano Gomez and the President appears to have been broken; and the future of the Rio de Janeiro pact lies in the hands of the Conservative opposition.

¹ Continued from *Foreign Relations*, 1934, vol. iv, pp. 321-376.

² Signed at Rio de Janeiro May 24, 1934, *ibid.*, p. 361.

The Secretary of the Foreign Office told me last night that in his opinion an early peaceful solution can be brought about only if the Peruvian Government should voluntarily state that it places the same interpretation upon articles 2 and 7 of the pact as was enunciated in the Senate by Urdaneta, one of its Colombia signers and reported in my telegram 114, December 29, 6 p. m.³

WASHINGTON

721.23/2423 : Telegram

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

BOGOTÁ, January 8, 1935—4 p. m.

[Received 7:35 p. m.]

6. The British Minister today has telegraphed to his Government urging that it ask the League of Nations to request the Peruvian Government's agreement to an extension of the time limit for the exchange of ratifications of the Rio de Janeiro pact until January 31st and to request the Colombian Government that it ratify the pact without any modifications or interpretations before the above-mentioned date, the League's requests to the two Governments to be made publicly. He also suggested that friendly powers take action of a similar nature directly and separately and stated that he feared that unless such steps are taken the situation here will deteriorate irreparably. The above confidential and urgent telegram of the British Minister was repeated to the British diplomatic representatives in Washington, Lima, and Rio de Janeiro.

On Saturday, Olaya⁴ told me that the President had given up hope of obtaining ratification by the present Colombian Senate and contemplated asking Peru to extend the time limit for one year believing that a Liberal majority will be elected to the Senate in May after which ratification may be secured. However, many observers besides the British Minister believe that President Lopez can obtain an early ratification if he tries. Senator Vasquez Cobo told Papal Nuncio that he and several of his colleagues would now willingly allow the pact to pass if there were some way by which they could save their faces. Many Conservatives apparently hope that the Peruvian Government through its Minister to Colombia will voluntarily give an interpretation of the treaty which will allay the fears they profess, but the Peruvian Minister here thinks there is little possibility of such action. Officials of the Colombian Ministry of Foreign Affairs are

³ *Foreign Relations*, 1934, vol. iv, p. 376.

⁴ Former President Enrique Olaya Herrera. He became Minister for Foreign Affairs of Colombia on February 5.

in a state of confusion and appear to have formulated no program of action. During the last 2 weeks airplanes have each day been carrying troops to Leticia. Bogotá is full of rumors regarding Peruvian attacks upon Leticia which appear to be unfounded.

Both Dr. Olaya and the Secretary of the Ministry of Foreign Affairs have assured me that the messages sent the Colombian Government by foreign Governments during the last fortnight of December did a lot of good by which I assumed they meant that the messages stirred President Lopez to action which was useful even though the opposition tried to capitalize them in a secret session of the Senate. I believe that if an appeal is made by any foreign countries now it should be done publicly so as to affect Colombian public opinion and I strongly urge that nothing be done to make it appear that the appeal is led or promoted principally by the United States.

WASHINGTON

721.23/2424 : Telegram

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

Bogotá, January 11, 1935—6 p.m.

[Received 8:55 p.m.]

7. My telegram No. 6, January 8, 4 p.m. The British Government has instructed its Minister to tell Colombian Minister for Foreign Affairs that the Council of the League of Nations will meet next week and it might be advisable for Colombia to be prepared at that time to state that it has ratified Rio de Janeiro protocol or that it will ratify it before some given date. The British Government expressed confidentially to its Minister its preference that the Colombian Government set the date rather than that it be set by a third party. The telegram also stated that if the Colombian Government does express its belief that ratification will be obtained before a certain date, the British Government, if the United States and Brazil do likewise, will use all of its efforts to persuade Peru to agree to an extension of the time limit to that day.

I believe the above procedure to be the wisest with regard to Colombia. A suggestion by the League of Nations that the time limit be extended to January 31st as suggested by the British Minister would necessitate that the Colombian Government secure senatorial action during the Presidency of Lozano in the Senate. Although there are indications that many Conservative Senators would now like to see the protocol pass, yet the President of the Senate might be able to prolong the discussion and postpone the voting beyond that date.

It is the opinion not only of myself but also of all the other interested diplomats that the principal cause of the difficulties with the pact here has been and is the failure of President Lopez to assume any responsibilities of leadership in securing ratification. I talked with ex-President Olaya in his country home last night and he informed me that he would come to Bogotá next Tuesday and exert all his forces toward making the President see the necessity of taking some positive action. I am hopeful that the public appeal on the part of the League of Nations, combined with personal intervention of Olaya, will produce desired results.

WASHINGTON

721.23/2426 : Telegram (part air)

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

GENEVA, January 12, 1935—3 p.m.
[Received January 14—6:27 a.m.]

9. Peru has formally notified Secretary General of the nonratification by Colombia within the delay stipulated by article 9 of the Rio de Janeiro protocol of May, 1934, in execution of the Geneva accord of March 1933.

The Colombian position is not clear to the League authorities. The presumption is that Bogotá will make some statement in reply.

GILBERT

721.23/2428 : Telegram

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

GENEVA, January 14, 1935—11 a. m.
[Received January 14—8:10 a. m.]

11. (1) I now learn that several informal meetings have been held of the old Council Committee of Three in the Colombia-Peruvian dispute (Spain, Czechoslovakia and Mexico) to consider the situation described in my No. 9, January 12, 3 p. m.

(2) I have been authoritatively advised that a formal meeting of the Committee of Three will be held late today. It will give consideration to the convoking of the League Advisory Committee on Leticia.

(3) I estimate the form and extent of the present League action as depending on such information as can be obtained here of actual

character of position of Colombia in particular whether its non-ratification of the Rio de Janeiro protocol is due to a technical preliminary situation or to deeper questions of national policy and thus whether League intervention at this time is expedient.

(4) Although as the Department will recall the Leticia Advisory Committee has varied in its composition (although composed of the members of the Council they were named individually in order to avoid membership of Japan), it is felt that juridical grounds are sufficient to consider the Committee as continuing and that it may be composed of any current Council membership together as formerly with the United States and Brazil as observers and that a convocation may be based on that concept.

(5) The Secretariat political section informs that such a convocation is probable and immediate and that notifications to the United States and Brazil may perhaps be issued today.

GILBERT

721.23/2428 : Telegram

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

WASHINGTON, January 14, 1935—7 p. m.

6. For your information. We understand that, in view of the situation between Colombia and Peru arising out of non-ratification by Colombia of the Rio de Janeiro Pact on the Leticia question, it is probable that the League's Advisory Committee on Leticia will be convoked tomorrow, and that notifications to the United States and Brazil may be issued today. We intend to cable our representative at Geneva authorizing him, in case such notification is received, to continue to attend meetings of the Leticia Advisory Committee under the same terms and instructions as were sent him in March 1933,⁵ when the United States was invited to collaborate with that Committee, namely, that he is not to sit as a member of the Committee, that he does not have the power of vote, and that he is not to commit this Government without prior instruction.

You may wish to advise the Brazilian Government informally of the foregoing.

HULL

⁵ This was done in telegram No. 171, January 14, 7 p. m., not printed; but see telegram No. 86, March 11, 1933, 8 p. m., to the Minister in Switzerland, *Foreign Relations*, Japan, 1931-1941, vol. I, p. 117, and telegram No. 88, March 15, 1933, 6 p. m., to the Minister in Switzerland, *Foreign Relations*, 1933, vol. IV, p. 499.

721.23/2436

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

No. 510

BOGOTÁ, January 16, 1935.

[Received January 19.]

SIR: With reference to my telegram No. 7 of January 11, 6 p. m. in the last paragraph of which I stated that the former President Enrique Olaya Herrera would come to Bogotá the early part of this week and interview President Alfonso López regarding the Rio de Janeiro Pact, I have the honor to report to the Department that Dr. Olaya called at the Legation yesterday evening stating that he wished to tell me about his interview with the President.

He stated when he first asked the President about the prospects for early ratification of the Rio de Janeiro Pact by the Colombian Congress, the President made very optimistic statements to the effect that a political agreement had been reached by which a vote would be taken during this month and that he was very confident that the voting would be favorable. However, after further conversation regarding the details Dr. Olaya was not certain that the President's expressions of confidence were well founded. Upon attempting to go through the list of senators with the President and determining how each would vote, he found that the President was not at all certain of a majority. Dr. Olaya stated that he urged upon the President the advisability of taking a strong stand and doing everything within his power to bring about favorable action. The President replied that he had talked to the Committee of the Senate, had pointed out to its members the serious situation now facing the country and the possible unfortunate consequences of non-ratification, and had urged upon them the advisability of approving the Pact.

From discussing the Rio de Janeiro Pact, Dr. Olaya passed on to the discussion of the administration of Dr. Alfonso López. . . .

I finally brought the conversation back to the Rio de Janeiro Pact and asked Dr. Olaya whether, in his opinion, there was anything which foreign countries could do to facilitate a happy solution of the matter. He said that from the Colombian point of view the most helpful action would be for them to persuade Peru to grant one year's extension of the time limit for the exchange of ratifications. He said that this would make it possible for final action to be taken by the new congress with the expected Liberal majority. He added that realization on the part of the present Senate that the Protocol would be approved by the Liberal Congress might very well bring about im-

mediate ratification. I told Dr. Olaya that the Peruvian Minister to Colombia considered a year's extension of the time limit a concession which his Government could not grant and added that the internal situation in Peru probably offered difficulties similar to those faced by the Colombian Executive. He realized the force of the latter assertion and finally said that the best thing for the foreign nations to do is to wait for a few days to see what action is taken by the present Colombian Senate.

Respectfully yours,

S. WALTER WASHINGTON

721.23/2441

Memorandum by the Under Secretary of State (Phillips)

[WASHINGTON,] January 24, 1935.

The Peruvian Ambassador informed me of a telegram which he had received from his Government which reported the receipt in Lima of a message from the Peruvian Minister in Colombia. This message was to the effect that there now seemed to be danger of the Colombian Legislature adjourning without taking any action on the Rio Protocol. Up to recently the Minister had reported that there was a favorable majority for the passage of the Protocol, but that the latest developments, which were probably the result of some local political maneuver, indicated that the Rio Protocol would be shelved in this way. The Ambassador said that he had been instructed to ask the Department whether, in the circumstances, we would be willing to send a message to our Minister in Bogotá urging that the Protocol be disposed of and not shelved. This action, continued the Ambassador, would not be taken in the interest of Peru, but in the peaceful adjustment of the whole situation. The Ambassador went on to explain the importance of the passage of the Protocol; that further delays would be most unfortunate, and that some of the people involved in the Leticia district were "straining at the leash"; Peru was just beginning to show signs of economic recovery, and anything to upset these favorable signs would be most unfortunate. The Ambassador assumed that other Latin American countries had received similar requests to register an expression of their hopes in Bogotá, but he had no direct information on this subject. I said that I should be happy to give the matter consideration, and would telephone him the decision when we had arrived at it.

WILLIAM PHILLIPS

721.23/2449

*Memorandum by the Chief of the Division of Latin American Affairs
(Wilson) to the Under Secretary of State (Phillips)*

[WASHINGTON,] January 24, 1935.

MR. PHILLIPS: With regard to the memorandum of your conversation today with the Peruvian Ambassador, I would suggest saying something along the following lines to the Ambassador:

That, as the Ambassador knows, about the middle of December we expressed to the Colombian Government our interest in the maintenance of friendly relations among the American states and our confident hope that the Rio de Janeiro protocol might receive ratification in Colombia before the date (December 31) fixed in the protocol for exchange of ratifications. As the Ambassador also doubtless knows, there was some criticism expressed in the Colombian Congress by opposition senators over the reports that the United States, Brazil and other foreign countries had sent messages to the Colombian Government regarding this matter. Our information indicates that Colombian officials are doing everything possible to secure ratification of the protocol. Also, it would seem that there is no likelihood of an early adjournment of the Colombian Congress. Under the circumstances, it would seem doubtful if any useful purpose would be served by our making another appeal to the Colombian Government at the present moment. The Ambassador may be sure, however, that we are following the matter very closely and if there is anything we can appropriately do at an opportune moment to further the cause of friendly relations in this instance we shall not fail to do it.

EDWIN C. WILSON

721.23/2439 : Telegram

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

BOGOTÁ, January 24, 1935—5 p. m.

[Received 9 : 35 p. m.]

13. The Ministers of Great Britain, France and Italy have received instructions from their respective Governments to deliver messages to the Colombian Government expressing the hope that the Rio de Janeiro pact may be ratified. The Italian and French Ministers have appointments with the Colombian Acting Minister for Foreign Affairs tomorrow and will leave memoranda urging that the pact be ratified by Colombia. The British Minister replied to his Government requesting permission to address to the Foreign Minister an informal letter which he has drafted and in which he presents some of the argu-

ments for the ratification by Colombia. The British Minister has consulted the Acting Minister for Foreign Affairs who agreed that such a letter might influence the vote if it were shown by him to certain senators. In its cable to its Minister the British Foreign Office expresses the hope that the diplomatic representatives of the United States and Brazil would also deliver messages.

In spite of the strenuous efforts of Conservative leader Laureano Gomez to postpone the voting, defenders of the pact in the Colombian Senate hope that within a few days it will be approved in second debate. Two Conservatives have indicated their intention to vote along with the Liberals in favor of ratification. Conservative leader Laureano Gomez is doing his best to bring the two again under his control and there is some anxiety lest he may succeed, if not during the second debate then possibly by the time of voting in the third debate. On this it is believed that he has lessened his prestige somewhat by 4 days of oratory consisting solely of personal attacks upon Eduardo Santos, former Colombian representative before the League of Nations. Representations by foreign nations may strengthen the present intentions of the two Conservative Senators but Gomez will undoubtedly try to capitalize the messages to his advantage by interpreting them as foreign intervention. My observations and conversations incline me to the belief that the votes of the two Senators will depend principally upon issues of internal politics. Consequently unless the United States Government very much desires to associate itself with the other friendly nations in this gesture in favor of international peace I believe that little can be accomplished by representations to the Colombian Government at this moment.

I am reliably informed that the Colombian Government has received a message from Dr. Mello Franco⁶ agreeing with the interpretation given to articles 2 and 7 of the pact by Senator Urdaneta and that this message was read to the Senate in secret session several days ago. In the Colombian Ministry of Foreign Affairs there appears to be the feeling that the Peruvian Minister to Colombia might help the situation by indorsing Urdaneta's interpretation also, and that only the Minister's personal attitude has prevented the Peruvian Government from authorizing such action. It is felt in Liberal Party circles that such an endorsement not only would dissolve the opposition in the Senate, but would clarify the future internal political situation by dispelling the anxiety which will continue to exist in the country if the pact is approved by a narrow margin of votes. On several occasions Colombian officials have expressed to me the wish that foreign nations would persuade the Peruvian Government to take such action.

WASHINGTON

⁶ Former Brazilian Minister for Foreign Affairs.

721.23/2442

Memorandum by the Under Secretary of State (Phillips)

[WASHINGTON,] January 25, 1935.

I called up the Peruvian Ambassador and told him that the last information we had from Bogotá was to the effect that there was no likelihood of the early adjournment of the Colombian Congress; that we had already expressed to the Colombian Government our interest in the Rio Protocol and we felt, therefore, that perhaps this was not the opportune moment for us to take any further action in this respect; I said that, if future developments seemed to indicate that further action by us would be helpful, we would most certainly gladly consider again this question.

The Ambassador said that he was glad to have our information with regard to the likelihood of no early adjournment and seemed quite satisfied with our position.

WILLIAM PHILLIPS

721.23/2444 : Telegram*The Chargé in Colombia (Washington) to the Secretary of State*

BOGOTÁ, February 1, 1935—6 p.m.

[Received 11 p.m.]

18. At the request of Dr. Olaya I called at his house this afternoon. He informed me that he would probably accept the post of Minister for Foreign Affairs and assume office tomorrow although before doing so he wishes to see his way clear toward a solution of the problem of the Rio de Janeiro pact. He says that the question of its ratification by the Colombian Senate depends upon two or three very uncertain votes and he is not sure that approval will be given without some qualifying statement or condition attached. His conversation with me dwelt principally upon the possibility of obtaining Peru's agreement to two or three interpretative amendments or additions. He is not pleased with the intervention of the League of Nations in the matter, being particularly distrustful of the British attitude toward Colombia in the latter's relations with Peru. He expects to confer with Dr. Belaunde, Peruvian Minister to Colombia, but is not certain as to the extent that the latter voices the opinion of the Peruvian Government or is able to influence its decisions.

Dr. Olaya stated that unless he felt that approval would certainly be given by the Colombian Senate in a form which would be satisfactory to Peru he would advise the President to close the Colombian Congress and resubmit the Pact to the new Congress which he expects to be elected with a substantial Liberal majority in the month of May.

Though Dr. Olaya has not yet made any requests of me, he clearly inferred that he would be pleased if he could be informed confidentially through the United States Government regarding the probable attitude of the Peruvian Government in the event, (1) that the Colombian Senate should put the Colombian Government in the position of having to request Peru's agreement to certain interpretative modifications of the pact or, (2) that the Colombian Government seeing the impossibility of securing approval by the present Colombian Senate should dissolve Congress immediately and propose an exchange of notes between Peru and Colombia providing for ratification before the end of 1935.

I explained to Dr. Olaya your interest in proceeding with the negotiations for the commercial treaty.⁷ He said that he would speak to the President about the matter and try to expedite the Colombian reply to the American proposals. However, he added that the question of the Rio pact must be settled first and that if it were decided to close the sessions of the present Colombian Congress because of the apparent impossibility of obtaining favorable action on the foregoing pact it would be necessary for reasons of internal politics to do so immediately and this would prevent the consideration by that body of any commercial treaty which might be signed with the United States until the new Congress should meet in July next.

WASHINGTON

721.23/2445 : Telegram

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

Bogotá, February 5, 1935—10 a.m.

[Received 2:05 p.m.]

19. I visited Dr. Olaya in his home last night and he outlined the following program of events within the next few days. He has accepted the post of Minister for Foreign Affairs and will assume office this morning. He will appear before the Senate this afternoon and state briefly the Government's position with regard to the Rio pact. The pact will be voted upon and it is expected that it will be defeated by two or three votes. Dr. Olaya will then immediately read a Presidential decree adjourning Congress. The Government will direct a note to the Peruvian Government expressing its amicable feelings and its intention to submit the pact again to Congress when it meets on July 20 after the elections. Declarations of the Colombian Government's position and its desire for the most friendly relations with Peru will be handed to all diplomatic representatives in Bogotá.

⁷ See pp. 430 ff.

Dr. Olaya is confident that the Liberals will gain a sweeping victory in the May elections and that the vote in favor of the pact will be overwhelming when the new Congress meets in July. He regrets that the position the Colombian Government find it necessary to take created an atmosphere of uncertainty in the two countries especially as he believes that public opinion in Colombia, Conservative as well as Liberal, favors immediate approval of the pact. He hopes Peru will agree by an exchange of notes to continuance of the *status quo* as far as Leticia is concerned and that she will also agree to an exchange of ratification of the pact later in the year.

Dr. Olaya stated that President Lopez could undoubtedly have secured almost unanimous ratification in August or September but that he was then more interested in certain internal problems; that his internal program has failed completely; that the President now wishes to ally his fortunes with the pact and has requested Dr. Olaya to remain in Cabinet during the election campaign and until it is ratified. Dr. Olaya states that he has arrived at a definite understanding with President Lopez regarding the policies to be pursued; that the molesting of foreign companies in Colombia must cease; that though the American-Colombian commercial treaty cannot now be ratified by the Colombian Congress until the latter half of the year yet the negotiations will be expedited immediately; that he desires especially to keep in extremely close touch with the American Government through this Legation.

WASHINGTON

721.23/2446 : Telegram

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

Bogotá, February 5, 1935—9 p.m.

[Received 10:40 p.m.]

20. The Colombian Government is very much alarmed because in answer to a telegram which was sent to its Minister at Rio de Janeiro instructing him to consult Mello Franco regarding the proper interpretation of articles 2 and 7 of the Rio de Janeiro pact the Minister replied that Mello Franco agreed with Senator Urdaneta that the International Court is not given "extraordinary powers by the pact" but said further that "he would not now advise the inclusion in the pact of the second half of article 2". In our conversation of [the] 4th Dr. Olaya said that if the second part of this message should be made public in Colombia it would mean the final defeat of all efforts to obtain approval of the pact without amendments. He believes

Mello Franco was misquoted and he asked me whether it would be possible for the former Brazilian Minister for Foreign Affairs to be advised confidentially by American diplomatic representatives in Rio de Janeiro of the Colombian anxiety over his reported statement. He hopes Mello Franco will correct the impression which he gave to the Colombian Minister before the contents of the latter's telegram leaked out. I replied to Dr. Olaya that as the matter was an extremely delicate one I could only report it to the State Department without any promise as to whether Mello Franco could be approached. He asked me to report it by cable.

WASHINGTON

721.23/2447 : Telegram

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

BOGOTÁ, February 6, 1935—10 a. m.

[Received 11:33 a. m.]

21. Olaya assumed the duties of his office yesterday but the Rio pact was not voted upon in the Senate because of opposition proposal that a committee be appointed to study possibility of compromise formula. It will render opinion today.

WASHINGTON

721.23/2446 : Telegram

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

WASHINGTON, February 6, 1935—5 p. m.

12. Your 20, February 5, 9 p. m. We of course desire to be of help in any practicable and appropriate way in a matter affecting the friendly relations of the American States, and we have great deference for the views of Dr. Olaya. Nevertheless we cannot escape the feeling that it would be unwise and open to misinterpretation if we should now seek to intervene in a highly confidential matter which has already been the subject of discussion between the Colombian Minister at Rio de Janeiro and Dr. Mello Franco. If there is any question of misquotation of Dr. Mello Franco it would seem that the Colombian Government, through the regular channels of its Minister at Rio de Janeiro, would find it possible to clear up the matter.

HULL

721.23/2448 : Telegram

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

BOGORÁ, February 7, 1935—10 a. m.

[Received 11:35 a. m.]

24. In voting Rio pact part by part the last part of article 2 yesterday failed of approval by 28 votes to 28. The last minute attempt by Liberal Senator Peralta to effect a compromise which was reported in my telegram 21, February 6, 10 a. m., failed and he unexpectedly voted in favor of the pact thus causing the tie vote. Immediately after the voting Congress was closed by Presidential decree.

WASHINGTON

721.23/2450 : Telegram

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

LIMA, February 7, 1935—noon.

[Received 12:35 p. m.]

15. Embassy's telegram 8, January 18, 11 a. m.⁸ Action of the Colombian Senate in voting against ratification Rio protocol is deeply regretted here but has been received with a remarkable absence of excitement, even the *Comercio* being calm, fair and dignified. It is realized that Lozano's pride and partisan politics are responsible and Lopez, Santos and Olaya are rather confidently expected to be able to control situation eventually and accomplish ratification.

DEARING

721.23/2454 : Telegram

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

LIMA, February 11, 1935—9 a. m.

[Received 12:06 p. m.]

20. Embassy's telegram February 7, noon. Foreign Minister states Peru has confidence in Colombian Government's good faith. In replying to Colombian invitation to prolong period in which ratification may be carried out to some time in 1935, Peru is (1) making the point that this must imply no modification in protocol whatever; (2) seeking to limit period to not later than September 30, 1935, believing it dangerous to leave matter open any longer than necessary; (3) agreeing that Mixed Commission shall continue at Leticia; (4) asking

⁸ Not printed.

that demilitarization of frontier posts be carried out as provided by article 5 of protocol; (5) requesting that Colombia will duly notify League of Nations and Brazilian Government of all developments. Further report by air mail.

DEARING

721.23/2455

Memorandum by the Chief of the Division of Latin American Affairs (Wilson)

[WASHINGTON,] February 11, 1935.

The Peruvian Ambassador called to inform me of the reply of his Government to the Colombian request that the date for exchange of ratifications of the Rio de Janeiro protocol be extended to the end of this year. He said that the Colombian Government had stated that they supported the protocol unreservedly and were confident they would obtain ratification in the new Congress following the elections to be held next May. The Peruvian Government, after consultation with the diplomatic commission of the Assembly and the advisory committee of the Ministry for Foreign Affairs, had replied that they viewed favorably the Colombian proposal and would ask the Peruvian Assembly for approval of it, at the same time pointing out that in their judgment the extension should not run beyond September 30, 1935 (the Ambassador said that he did not know the reason for fixing this particular date). The Ambassador said that the Colombian Government had also stated that in its view the supplementary arrangements which had been made between the two Governments following the signature of the protocol, relating to customs, river navigation, policing of frontiers, et cetera, were working satisfactorily and should be maintained. The Peruvian Government, in its reply, had suggested that during the period between now and September 30 the provision of the Rio de Janeiro protocol looking to the demilitarization of the frontier by means of a technical commission should be proceeded with.

I said to the Ambassador that I thought the attitude of the Peruvian Government in this matter was admirable and most encouraging in its understanding of the real difficulties which had beset the Colombian Government in its sincere effort to obtain ratification of the protocol within the stipulated period, and that it would be an example to the rest of the world.

The Ambassador said that he had reported to his Government that the Department of State believed that the Colombian Government had been sincere in its effort to obtain ratification of the protocol and was not merely maneuvering for an advantage, and he believed that this

view of the Department had been of influence in the decision reached by the Peruvian Government. I said that there was not the slightest doubt in my mind that the Colombian Government sincerely desired to ratify this protocol and put it into effect at the earliest possible moment and that, as I had mentioned to him the other day, the assumption of the post of Foreign Minister by Dr. Olaya, who as President had approved the protocol, was a most hopeful development.

EDWIN C. WILSON

721.23/2474

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

No. 1193 Political

GENEVA, March 6, 1935.

[Received March 16.]

SIR: I have the honor to refer to my despatch No. 1191 Political of March 1, 1935⁹ transmitting a League document regarding the extension of the time limit for ratification of the Protocol of Friendship and Cooperation between Colombia and Peru, and to enclose League document No. C.110.M.54.1935.VII of March 4, 1935 which contains the text of a communication, dated February 27, 1935, addressed to the Secretary-General by the Colombian Delegation to the League and conveying information in a similar sense to that already communicated by the Peruvian Government.

Respectfully yours,

GILSON G. BLAKE

[Enclosure]

LEAGUE OF NATIONS

Communicated to
the Council and
Members of the
League.

C.110.M.54.1935.VII.
GENEVA, March 4, 1935.

Communication From the Colombian Government

Note by the Secretary-General

The Secretary-General has the honour to communicate for the information of the Council and Members of the League the following letter dated February 27th, 1935, which he has received from the Permanent Delegation of Colombia to the League of Nations.

(Translation from the Spanish)

The Permanent Delegation of Colombia to the League of Nations has the honour to bring to the notice of the Secretary-General the

⁹ Not printed.

following communiqué which the Colombian Government issued to the Colombian press on the 25th instant:

"Difficulties of parliamentary procedure having arisen which prevented the Colombian Congress from considering the Protocol of Friendship and Co-operation between Colombia and Peru, it was not possible to proceed to the exchange of ratifications within the time-limit originally fixed in Article 9 of the Protocol.

"The Government of Colombia proposed to the Government of Peru that this time-limit should be extended, while reaffirming its intention of maintaining in the letter and the spirit the international policy embodied in the Protocol and seeking the sanction of the next Congress, which is to be elected in May and to meet in July of the current year.

"The Peruvian Minister in Colombia has now intimated that the Congress of his country has sanctioned the extension of the time-limit for the exchange of ratifications until November 30th of the current year, and the two Governments, in the cordial exchange of notes which has taken place between their Chancelleries, have expressed their intention of maintaining unaltered the effects which the Protocol has so far produced, and ensuring the continuance of the same atmosphere of cordiality and mutual confidence that has been one of the happy results of that diplomatic instrument. Each Government will give notice of the extension agreed upon to the League of Nations and to the Government of Brazil in the same form in which it gave notice of the signature of the Protocol, and also to His Excellency Monsieur Afranio de Mello Franco, the eminent President of the Conference of Rio de Janeiro.

"In the exchange of notes aforesaid, the two Governments have agreed that the Joint Commission set up for the purposes specified in Article 6 of the Protocol shall continue to function as hitherto, and to receive the same cordial support and co-operation from the two Governments with a view to the successful issue of its labours.

"Inasmuch as Article 5 of the Protocol provides that the States shall prepare an agreement for the demilitarization of the frontier in conformity with the normal requirements of their security, it has further been agreed that the Technical Commission referred to in the said Article 5 shall shortly be set up at Lima."

The text of the foregoing communiqué was agreed upon by the Colombian Minister for Foreign Affairs with the Peruvian Legation at Bogotá, and it was arranged that the Peruvian Government should issue a communiqué in identical terms.

The Permanent Delegation of Colombia to the League of Nations avails itself of this opportunity, etc.

GENEVA, February 27, 1935.

721.23/2483 : Telegram

The Minister in Colombia (Dawson) to the Secretary of State

Bogotá, July 23, 1935—noon.

[Received 1:10 p. m.]

69. Yesterday afternoon the Minister for Foreign Affairs submitted the Rio de Janeiro protocol to the Senate with a lengthy message recommending its ratification. A bill approving the protocol was passed unanimously in first reading which is wholly perfunctory and was then referred to Foreign Relations Committee for report within 15 days.

DAWSON

721.23/2488 : Telegram

The Minister in Colombia (Dawson) to the Secretary of State

Bogotá, August 22, 1935—10 a. m.

[Received 11:40 a. m.]

78. Colombian Senate yesterday approved Rio de Janeiro protocol in second reading which under Colombian practice is definitive. Protocol has still to be considered by Chamber of Representatives.

DAWSON

721.23/2497 : Telegram

The Minister in Colombia (Dawson) to the Secretary of State

Bogotá, September 17, 1935—9 a. m.

[Received 1:05 p. m.]

81. Chamber of Representatives yesterday approved Rio de Janeiro protocol in decisive second reading by a vote of 95 to 4.

DAWSON

721.23/2503 : Telegram

The Minister in Colombia (Dawson) to the Secretary of State

Bogotá, September 27, 1935—5 p. m.

[Received 5:40 p. m.]

86. Department's telegram No. 70 of September 26, 7 p. m., and my telegram No. 85 of September 27, 9 a. m.¹⁰ Ratifications of the Rio de Janeiro protocol were exchanged this afternoon.

DAWSON

¹⁰ Neither printed.

721.23/2507 : Telegram (part air)

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

GENEVA, September 30, 1935—3 p. m.

[Received October 2—6 : 52 a. m.]

401. Secretary General is in receipt of a communication from the Colombian Foreign Minister stating that the ratifications of the Rio de Janeiro protocols May 1932 [1934] were deposited on September 27.

This is regarded here as technically closing the Colombia-Peru dispute as before the League.

GILBERT

PAN AMERICAN COMMERCIAL CONFERENCE HELD AT
BUENOS AIRES, MAY 26-JUNE 19, 1935

[See Department of State Conference Series No. 22: *Report of the Delegates of the United States of America to the Pan American Commercial Conference Held at Buenos Aires, Argentina, May 26-June 19, 1935* (Washington, Government Printing Office, 1936); *Acta Final de la Conferencia Comercial Panamericana reunida en la ciudad de Buenos Aires del 26 de mayo al 19 de junio de 1935* [Buenos Aires, 1935?]; *Diario de la Conferencia Comercial Panamericana*, Buenos Aires, May 24-June 22, 1935.

Of the four conventions adopted by the Conference, the United States signed two:

(1) Convention for the Repression of Smuggling, signed June 19, 1935 (not submitted to the Senate);

(2) Convention for the Creation of Pan American Commercial Committees, signed June 19, 1935 (not submitted to the Senate).

For texts of these Conventions, see *Report of the Delegates of the United States of America*, pages 70-77 and 90-94.]

TREATY BETWEEN THE UNITED STATES AND OTHER AMERICAN REPUBLICS FOR THE PROTECTION OF ARTISTIC AND SCIENTIFIC INSTITUTIONS AND HISTORIC MONUMENTS, APRIL 15, 1935¹

Treaty Series No. 899

*Treaty Between the United States and Other American Republics for the Protection of Artistic and Scientific Institutions and Historic Monuments, Signed at Washington, April 15, 1935*²

The High Contracting Parties, animated by the purpose of giving conventional form to the postulates of the Resolution approved on December 16, 1933,³ by all the States represented at the Seventh International Conference of American States, held at Montevideo, which recommended to "the Governments of America which have not yet done so that they sign the 'Roerich Pact', initiated by the Roerich Museum in the United States, and which has as its object, the universal adoption of a flag, already designed and generally known, in order thereby to preserve in any time of danger all nationally and privately owned immovable monuments which form the cultural treasures of peoples", have resolved to conclude a treaty with that end in view, and to the effect that the treasures of culture be respected and protected in time of war and in peace, have agreed upon the following articles:

ARTICLE I

The historic monuments, museums, scientific, artistic, educational and cultural institutions shall be considered as neutral and as such respected and protected by belligerents.

The same respect and protection shall be due to the personnel of institutions mentioned above.

The same respect and protection shall be accorded to the historic monuments, museums, scientific, artistic, educational and cultural institutions in time of peace as well as in war.

ARTICLE II

The neutrality of, and protection and respect due to, the monuments and institutions mentioned in the preceding article, shall be

¹ For correspondence in connection with the proposed adherence of certain European countries to the treaty, see vol. I, pp. 502 ff.

² In English, Spanish, Portuguese, and French; English text, only, printed. Ratification advised by the Senate, July 2 (legislative day of May 13), 1935; ratified by the President, July 10, 1935; ratification of the United States deposited with the Pan American Union at Washington, July 13, 1935; proclaimed by the President, October 25, 1935.

³ See *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), pp. 207-208.

recognized in the entire expanse of territories subject to the sovereignty of each of the signatory and acceding States, without any discrimination as to the State allegiance of said monuments and institutions. The respective Governments agree to adopt the measures of internal legislation necessary to insure said protection and respect.

ARTICLE III

In order to identify the monuments and institutions mentioned in article I, use may be made of a distinctive flag (red circle with a triple red sphere in the circle on a white background) in accordance with the model attached to this treaty.⁴

ARTICLE IV

The signatory Governments and those which accede to this treaty, shall send to the Pan American Union, at the time of signature or accession, or at any time thereafter, a list of the monuments and institutions for which they desire the protection agreed to in this treaty.

The Pan American Union, when notifying the Governments of signatures or accessions, shall also send the list of monuments and institutions mentioned in this article, and shall inform the other Governments of any changes in said list.

ARTICLE V

The monuments and institutions mentioned in article I shall cease to enjoy the privileges recognized in the present treaty in case they are made use of for military purposes.

ARTICLE VI

The States which do not sign the present treaty on the date it is opened for signature, may sign or adhere to it at any time.

ARTICLE VII

The instruments of accession, as well as those of ratification and denunciation of the present treaty, shall be deposited with the Pan American Union, which shall communicate notice of the act of deposit to the other signatory or acceding States.

ARTICLE VIII

The present treaty may be denounced at any time by any of the signatory or acceding States, and the denunciation shall go into effect three months after notice of it has been given to the other signatory or acceding States.

IN WITNESS WHEREOF, the undersigned Plenipotentiaries, after having deposited their full powers found to be in due and proper form,

⁴ A reproduction of the model is printed in Department of State Treaty Series No. 899.

sign this treaty on behalf of their respective governments, and affix thereto their seals, on the dates appearing opposite their signatures.

<i>For the Argentine Republic:</i>	April 15, 1935.	[SEAL]
FELIPE A. ESPIL		
<i>For Bolivia:</i>	April 15, 1935.	[SEAL]
ENRIQUE FINOT		
<i>For Brazil:</i>	April 15, 1935.	[SEAL]
OSWALDO ARANHA		
<i>For Chile:</i>	April 15, 1935.	[SEAL]
M. TRUCCO		
<i>For Colombia:</i>	April 15, 1935.	[SEAL]
M. LOPEZ PUMAREJO		
<i>For Costa Rica:</i>	April 15, 1935.	[SEAL]
MAN. GONZÁLEZ Z.		
<i>For Cuba:</i>	April 15, 1935.	[SEAL]
GUILLERMO PATTERSON		
<i>For the Dominican Republic:</i>	April 15, 1935.	[SEAL]
RAF. BRACHE		
<i>For Ecuador:</i>	April 15, 1935.	[SEAL]
C. E. ALFARO		
<i>For El Salvador:</i>	April 15, 1935.	[SEAL]
HECTOR DAVID CASTRO		
<i>For Guatemala:</i>	April 15, 1935.	[SEAL]
ADRIAN RECINOS		
<i>For Haiti:</i>	April 15, 1935.	[SEAL]
A. BLANCHET		
<i>For Honduras:</i>	April 15, 1935.	[SEAL]
M. PAZ BARAONA		
<i>For Mexico:</i>	April 15, 1935.	[SEAL]
F. CASTILLO NAJERA		
<i>For Nicaragua:</i>	April 15, 1935.	[SEAL]
HENRI DE BAYLE		
<i>For Panama:</i>	April 15, 1935.	[SEAL]
R. J. ALFARO		
<i>For Paraguay:</i>	April 15, 1935.	[SEAL]
ENRIQUE BORDENAVE		
<i>For Peru:</i>	April 15, 1935.	[SEAL]
M. DE FREYRE Y S.		
<i>For United States of America:</i>	April 15, 1935.	[SEAL]
HENRY A. WALLACE		
<i>For Uruguay:</i>	April 15, 1935.	[SEAL]
J. RICHLING		
<i>For Venezuela:</i>	April 15, 1935.	[SEAL]
PEDRO M. ARCAYA		

INTERPRETATION OF ARTICLE IV OF THE HABANA CON-
VENTION ON COMMERCIAL AVIATION ADOPTED FEB-
RUARY 20, 1928¹

GUATEMALA

711.1427/6

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

No. 544

GUATEMALA, February 23, 1935.

[Received February 27.]

SIR: With reference to the Department's instruction No. 78 of August 19 [29], 1934,² in further relation to the interpretation of Article IV of the Habana Convention on Commercial Aviation,³ I have the honor to report on the progress made in this matter.

Subsequent to the receipt of the Department's instruction just mentioned I had a number of conversations with the Minister for Foreign Affairs in which I endeavored to create a better understanding of the Department's wishes and their bearing on this Government's attitude. Finally, on November 23, 1934, I left a memorandum with the Minister for Foreign Affairs in which it was stated that:

"In taking up with the Government of Guatemala the matter of obtaining an interpretation of Article IV of the Habana Convention on Commercial Aviation, the Department of State had in mind the necessity of reaching an understanding with the Government of Guatemala with respect to rights of entry so far as pleasure or touring aircraft are concerned. The Department of State 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. A discussion of commercial aircraft in this connection would only tend to confuse the issue and complicate the discussion concerning the right of entry of pleasure or tourist aircraft.

"The Department of State is pleased that the Government of Guatemala has agreed that it is not necessary for an aviator of a pleasure or tourist aircraft to request formal permission to enter Guatemalan territory under the terms of the Habana Convention. The Department however finds objectionable and believes unnecessary the stipu-

¹ Continued from *Foreign Relations*, 1934, vol. iv, pp. 499-505.

² *Ibid.*, p. 502.

³ *Ibid.*, 1928, vol. i, p. 585.

lation that advance notice of each flight must be given by airmail ten days prior to making the flight and by radiogram five days prior to the date of the flight”.

I subsequently continued to make reference to the subject when the occasion seemed appropriate and finally was informed by the Minister for Foreign Affairs in a note dated January 25, 1935, that the Memorandum mentioned above had been referred to the Minister of Fomento for consideration. I am now transmitting herewith Foreign Office Note No. 1529 of 19th instant ⁴ which transcribes the opinion of the General Bureau of Civil Aeronautics concerning the matter under discussion, which opinion bears the approval of the Minister of Fomento.

It will be noted that the General Bureau of Civil Aeronautics after some preliminary analysis of the Habana Convention on Commercial Aviation sets forth as its opinion that:

“... in order to facilitate international air traffic of pleasure or touring aircraft over the territory of the Republic and in order that the Government of Guatemala may cooperate with that of the United States of America, it can be agreed to exempt said aircraft from soliciting the prior respective permission, but leaving continually in force the obligation to give notice with the anticipation necessary for the information of the appropriate authorities. Said notice must contain: the type of airship, its individual marks and identification, the name of the pilot, and the approximate date of its arrival. In order that the Government may receive the notice with the greatest promptness and to avoid consequent annoyances, it might be agreed that said notice would be sent directly to the Ministry under your charge” (The Ministry of Fomento).

The General Bureau states further that:

“... the prior notice of the arrival of a pleasure or tourist aircraft in territory of the Republic does not imply a request for a permit . . . The aircraft under obligation to give notice does not thereby contract the obligation to await the reply, since, as has already been said, it is not a question of a permit but of a simple announcement of its arrival.”

The foregoing opinion has the approval, as stated above, of the Minister of Fomento and has been transmitted to the Legation without comment by the Minister for Foreign Affairs. It would seem that it may be accepted as the opinion of the Government of Guatemala. If I understand the matter correctly, the procedure proposed in the opinion is even more liberal than what we have been suggesting, and I hope it may be the basis for a complete agreement on the specific point at issue.

⁴ Not printed.

In my conversations and communications on this matter, I have deemed it undesirable to make mention of the suggested "tourist or identification card" discussed on page 4 of the instruction under reply, but I will of course take up this point at an appropriate occasion if the Department still desires me to do so.

Respectfully yours,

MATTHEW E. HANNA

711.1427/6

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

[Extracts]

No. 180

WASHINGTON, April 6, 1935.

SIR: The Department has received your despatch No. 544 of February 23, 1935, in further relation to the interpretation of Article 4 of the Habana Convention on Commercial Aviation, which article accords to private aircraft of a contracting state the right to enter territory of other contracting states, subject to the conditions laid down in the Convention, without the necessity of obtaining an authorization for each flight.

The procedure outlined above is satisfactory to the Government of the United States and it will not be necessary for you to make mention of the suggested tourist or identification card discussed on page four of the Department's instruction No. 78 of August 29, 1934.⁵

However, while the procedure referred to in the communication from the Foreign Office quoted above is satisfactory, this Government cannot agree with the views of the General Bureau of Civil Aeronautics that this is a matter that should appropriately be made the subject of a special agreement between the United States and Guatemala under the terms of Article 30 of the Habana Convention on Commercial Aviation. Article 30 recognizes the right of any contracting state to enter into a Convention or special agreement with any other state concerning international air navigation, subject to the conditions stipulated in the Article. As a general right for aircraft of a contracting state to fly over the territory of another contracting state is definitely accorded by Article 4 of the Convention, the negotiation of a special agreement on the subject is not required.

In its opinion the General Bureau of Civil Aeronautics discusses Article 12 of the Convention, in which the states affirm the principle that the aircraft of each contracting state shall have the liberty of engaging in air commerce with the other contracting states without being subjected to the licensing system of any state with which such

⁵ *Foreign Relations*, 1934, vol. iv, p. 502.

commerce is carried on, subject, however, to the right of the state with which the commerce is conducted to refuse to recognize certificates of airworthiness of the foreign aircraft where it is shown that the aircraft are not reasonably airworthy in accordance with its own requirements. This article was also discussed by the General Bureau of Civil Aeronautics in a communication embodied in a note from the Foreign Office of June 12, 1933, transmitted with the Legation's despatch No. 971 of June 22, 1933.⁶ The Department's reply to the points raised by the Bureau at that time are set forth at some length in the Department's instruction No. 296 of August 25, 1933.⁷

The Government of the United States and the Government of Guatemala are now willing that the private aircraft of either country shall be permitted to enter the other country without the necessity of obtaining special authorization for each flight. However, while the Government of Guatemala considers that such procedure would constitute a special agreement under Article 30 of the Habana Convention, the Government of the United States considers that the procedure is already authorized under Article 4 of the Convention. If you have reason to believe that the Guatemalan authorities will not recede from the position they have taken in the matter of the interpretation of the Convention, you may endeavor to reach an understanding whereby the procedure agreed upon by the two Governments with regard to the entry of pleasure or tourist aircraft may be given effect without the necessity of entering into a further discussion as to the interpretation of the articles of the Convention. Under this plan each Government would reserve its position as to what it considers to be the proper interpretation of these articles, and a further discussion of the matter could be deferred to some time in the future when some occasion may arise requiring a review of the subject.

With the exception of Mexico⁸ and Guatemala all the Latin American countries that have ratified the Habana Convention on Commercial Aviation have agreed to this Government's interpretation of Article 4. The Department would much prefer to have a uniform understanding regarding this article but, as stated above, is not disposed to press the matter with the Guatemalan Government if you deem such course to be inadvisable, so long as a satisfactory procedure for the entry of pleasure or tourist aircraft can be agreed upon between this Government and the Government of Guatemala.

Very truly yours,

For the Secretary of State:
R. WALTON MOORE

⁶ *Foreign Relations*, 1933, vol. iv, p. 617.

⁷ *Ibid.*, p. 620.

⁸ See p. 229.

711.1427/7

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

No. 664

GUATEMALA, May 29, 1935.

[Received June 7.]

SIR: With reference to the Department's instruction No. 180, of April 6, 1935, in further relation to the interpretation of Article 4 of the Habana Convention on Commercial Aviation, I have the honor to transmit herewith a copy of my note No. 24 of April 23, 1935,⁹ presenting the Department's views for the consideration of the Guatemalan authorities.

As I had good reason to believe that those authorities would not recede from the position they had taken in the matter of the interpretation of the Convention, I endeavored to reach an understanding, as authorized in the instruction under reference, whereby the procedure already agreed upon by the two Governments with regard to the entry of pleasure or tourist aircraft might be given effect without the necessity of entering into a further discussion as to the interpretation of the Articles of the Convention. I did point out, however, that the Government of the United States does not agree with the view of this Government that a procedure by which private aircraft of either country shall be permitted to enter the other country without a special authorization for each flight would constitute a special agreement under Article XXX of the Habana Convention. I also made what I considered a suitable reservation concerning a possible further discussion at some subsequent time of the interpretation of the Articles of the Convention.

I now have this Government's reply embodied in Foreign Office note No. 6173 of May 27, 1935, a copy and translation of which are transmitted herewith. The reply accepts our proposed draft of identical communications for putting the procedure into effect, with a minor addition which I presume will be acceptable to the Department.

The Legation will await the Department's further instructions in the matter.

Respectfully yours,

MATTHEW E. HANNA

⁹ Not printed.

[Enclosure—Translation]

The Guatemalan Minister for Foreign Affairs (Skinner Klee) to the American Minister (Hanna)

No. 6173
360.A. (73/0)

GUATEMALA, May 27, 1935.

MR. MINISTER: With reference to the Legation's courteous note No. 24, of April 23, last,¹⁰ I have the honor to transcribe to Your Excellency the report which the General Bureau of Civil Aeronautics has submitted to the Minister of Fomento, and which says literally:

General Bureau of Civil Aeronautics
Guatemala, May 18, 1935.

Mr. Minister:

Complying with the foregoing instruction, I have the honor to inform you as follows with respect to the agreement for putting into effect the procedure proposed by this Bureau with the approval of the Ministry under your charge, which agreement the Minister of the United States of America has been pleased to submit for the consideration of the appropriate Guatemalan authorities in view of said procedure having been found satisfactory to the Government of the United States.

The General Bureau of Civil Aeronautics under my charge finds said agreement acceptable in that it is entirely in accord with the point of view which was submitted for your approval; but, in order that the communication which the Department of State will send to the appropriate office of the Government of the United States may be more in consonance with the instruction which the Government of Guatemala will have to give, for their information and guidance, to the authorities of Guatemala concerned with the entrance of foreign aircraft, I propose that said communication should be worded as follows:

As parties to the Habana Convention on Commercial Aviation adopted at Habana, Cuba, on February 20, 1928, the Government of the United States of America and the Government of Guatemala have reached an understanding that the private aircraft of either country engaged in pleasure or tourist flights may enter territory of the other country without the necessity of obtaining special authorization for each flight from the Government of the latter country.

Such right of entry is, however, conditioned upon compliance with the technical requirements as to entry and clearance and other regulations in force in the country entered.

In case of aircraft of the United States departing for Guatemala, advance notice of the intended arrival of the aircraft in Guatemala must be given by the pilot of the aircraft, which should be in an airport of entrance unless prior authorization to land elsewhere be obtained from the Ministry of Fomento of Guatemala.

This notice must be communicated by the pilot directly to the Ministry of Fomento, Guatemala City and must contain the following data: type of aircraft; its individual marks and identification; the name of the pilot, and the approximate date of the arrival of the aircraft.

¹⁰ Not printed.

The only difference between the foregoing proposal and that in the agreement which the Minister of the United States has been pleased to submit for the consideration of the Government of Guatemala is in the part that says:

" . . . which should be in an airport of entrance unless prior authorization to land elsewhere be obtained from the Ministry of Fomento of Guatemala."

Said paragraph has been added for the reason that only airports of entrance and departure have customs authorities, that is to say, the airports of "La Aurora" and Barrios.

I have the honor to submit the foregoing to the consideration of the Minister for whatever he may decide with respect to the proposal made by this General Bureau.

With assurances of my high consideration and respect.

(signed) José F. Mejía

Mr. Minister of Fomento
Seal Present

I avail myself [etc.]

A. SKINNER KLEE

711.1427/7

The Secretary of State to the Chargé in Guatemala (O'Donoghue)

No. 204

WASHINGTON, June 17, 1935.

SIR: The Department has received the Legation's despatch No. 664 of May 29, 1935, in further relation to the correspondence exchanged with the Guatemalan authorities in an effort to reach an understanding in regard to the right of entry of civil aircraft under the terms of the Habana Convention on Commercial Aviation.

It is observed that the authorities of the Government of Guatemala have accepted the procedure proposed by the Government of the United States regarding the right of aircraft of either country to enter territory of the other country on pleasure or tourist flights, subject to an amendment proposed by the Guatemalan authorities to the effect that American aircraft making flights to Guatemala must land at an airport of entrance unless prior authorization to land elsewhere is obtained from the Ministry of Fomento. You may inform the Guatemalan authorities that this amendment is entirely acceptable to the Government of the United States, and that a communication in the language of the draft appearing in the note of May 27, 1935, from the Ministry for Foreign Affairs has been sent to the Department of Commerce with the request that the authorities of this Government concerned with the entry of foreign civil aircraft be appropriately informed as to the right of Guatemalan civil aircraft to enter the United States on pleasure or tourist flights without obtaining authorization for each flight. It is suggested that you request that the

appropriate Guatemalan authorities be informed of the conditions under which American civil aircraft may enter Guatemalan territory, if such information has not already been conveyed to them.

The Department takes this occasion to express its appreciation of the very effective assistance rendered by the Legation in reaching an understanding with the Guatemalan authorities regarding the right of entry under the Habana Convention on Commercial Aviation.

Very truly yours,

For the Secretary of State:
SUMNER WELLES

MEXICO

811.79612/87

The Chargé in Mexico (Norweb) to the Secretary of State

No. 2466

MEXICO, April 18, 1935.

SIR: I have the honor to refer to previous correspondence concerning special or touring flights in countries which are parties to the Havana Convention on Commercial Aviation, and the interpretations put by the American and Mexican Governments on Article IV of that Convention. Specific reference is made to the Department's instruction number 399 of June 27, 1934.¹¹ A note containing the substance of that instruction was sent to the Foreign Office on July 11, 1934, but no reply was ever made.

Since an impasse has apparently been reached in the efforts of the American and Mexican Governments to agree on the interpretation of Article IV of the Havana Convention, I respectfully request instructions as to whether this matter is to be kept before the attention of the Mexican Government. If so, the Department may wish to supplement its previous instructions.¹²

Respectfully yours,

R. HENRY NORWEB

¹¹ *Foreign Relations*, 1934, vol. iv, p. 508.

¹² No instruction in reply to this despatch has been found in Department files.

GOOD OFFICES OF THE UNITED STATES IN THE RE-
ESTABLISHMENT OF DIPLOMATIC REPRESENTATION
BETWEEN COSTA RICA AND GUATEMALA

714.18/22

The Minister in Costa Rica (Sack) to the Secretary of State

No. 534

SAN JOSÉ, December 7, 1934.

[Received December 12.]

SIR: In continuation of my Despatch No. 527 of December 4, 1934,¹ and in specific reference to my previous despatches and the despatches of the American Minister in Guatemala, Mr. Hanna, on the subject of the existing strained relations between the Governments of Costa Rica and Guatemala, I have the honor to forward herewith, for the information of the Secretary, a copy and translation of a personal and confidential letter received by me on yesterday afternoon from President Ricardo Jiménez of the Republic of Costa Rica.¹

Mr. Jiménez requests me to convey to the American Minister in Guatemala the contents of his letter which sets forth his viewpoint and the viewpoint of his Government with reference to General Ubico's belief that Costa Rica entertains hostile sentiments toward him and for his Government.

For the most part, the points made by President Jiménez concerning the attitude of this Government have been covered in previous despatches from this Legation. President Jiménez, however, shows his very deep concern in the matter by writing me at such length in a personal capacity. In his letter, he says:—

“My Government has not the slightest motive to embarrass General Ubico”.

This, Mr. Secretary, I believe is a true statement.

In concluding his letter, President Jiménez tells me:—

... “I desire that you, Mr. Minister, as well as Mr. Hanna, should realize that the attitude of my Government toward the Government of Guatemala has been absolutely proper, and that the good relations which should exist between Costa Rica and Guatemala will never be altered through my fault. There can be on my part neither interest nor the slightest desire for them to be changed. I understand that

¹ Not printed.

General Ubico receives the opinions of Mr. Hanna with all confidence and sympathy, and if Mr. Hanna should have an opportunity to dissipate in Mr. Ubico's mind the preoccupations with regard to my Government which are absolutely unfounded, it would greatly contribute to the disappearance in Guatemala of any idea that the Government of Costa Rica entertains hostile or unfriendly sentiments with regard to that Government".

I am attaching herewith an additional copy of the President's letter for transmission to Mr. Hanna if the Department so approves, or if the Department prefers and in accordance with recent suggestions of Mr. Hanna which received my approval in my Despatch No. 527 of December 4, 1934, I stand ready at the Department's orders to proceed to Guatemala for personal and confidential discussions with Mr. Hanna, carrying with me, obviously, a copy of the President's letter.

I shall be grateful if the Department advises me by telegraph whether it is forwarding a copy of the President's letter to Mr. Hanna in the next pouch, or whether the Department would prefer for me to go personally to Guatemala at the first opportunity.

Respectfully yours,

LEO R. SACK

714.18/22

The Secretary of State to the Minister in Costa Rica (Sack)

No. 118

WASHINGTON, December 19, 1934.

SIR: The receipt is acknowledged of your despatch No. 534 of December 7, 1934, on the subject of Guatemalan-Costa Rican relations, together with its enclosures. As you have already been informed by telegraph, a copy of the despatch with its enclosures has been transmitted to the Legation at Guatemala, and Minister Hanna has been authorized, in his discretion, to explain to President Ubico the viewpoint of President Jiménez and of the Costa Rican Government, as set forth in President Jiménez's letter to you of December 5, 1934. Minister Hanna has also been instructed in his discretion to suggest to President Ubico the desirability of taking steps in agreement with the Government of Costa Rica to exchange regularly accredited diplomatic representatives of the rank of Minister.

The Department will instruct you further as to the reply you should make to President Jiménez when it has been informed by Minister Hanna concerning the action he has taken.

A copy of the Department's instructions to Minister Hanna is enclosed.²

Very truly yours,

For the Secretary of State:
SUMNER WELLES

² *Infra.*

714.18/22

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

No. 121

WASHINGTON, December 19, 1934.

SIR: There is enclosed a copy of despatch No. 534 of December 7, 1934, from the Legation in San José³ on the subject of Guatemalan-Costa Rican relations, together with its enclosures, a copy and a translation of a confidential letter, addressed to Minister Sack by the President of Costa Rica. It will be noted that President Jiménez expresses his point of view and the point of view of the Costa Rican Government with reference to a belief he understands to exist in Guatemala that Costa Rica entertains hostile sentiments toward President Ubico and the Guatemalan Government. President Jiménez expresses the hope that you may find an opportunity to discuss this matter with President Ubico and present his point of view as set forth.

In view of the assurance you have received from the Minister of Foreign Affairs of Guatemala that his Government would be grateful for any help the Government of the United States might give in improving relations between Guatemala and Costa Rica, you are authorized in your discretion to make clear to President Ubico the point of view of the President of Costa Rica. In doing this you may say you are acting under the Department's instructions, and if you perceive no objection you may inform President Ubico that you have been instructed likewise to suggest for his consideration the desirability of taking steps, in agreement with the Government of Costa Rica, to exchange regularly accredited diplomatic representatives of the rank of Minister.

The Department does not contemplate that it will be necessary to hand President Ubico a copy of the letter from President Jiménez to Minister Sack, which is confidential in nature; but it is confident that you will be able to explain President Jiménez's viewpoint and his expressed desire to maintain good relations with Guatemala to President Ubico.

Very truly yours,

For the Secretary of State:
SUMNER WELLES

714.18/28

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

No. 427

GUATEMALA, February 8, 1935.

[Received February 13.]

SIR: I duly received on December 31, 1934, the Department's instruction No. 121 of December 19, 1934, transmitting a copy of a con-

³ *Ante*, p. 230.

fidential letter addressed to Minister Sack by President Jiménez of Costa Rica in which the latter presented his point of view and that of his Government with reference to certain influences affecting the relations between his Government and that of Guatemala. The instruction authorized me to acquaint President Ubico with the point of view of President Jiménez and to suggest that the two Governments may deem it desirable to exchange accredited diplomatic representatives of the rank of Minister. I now have the honor to report that I have complied with the instruction.

I lost no time in acquainting the Minister for Foreign Affairs with the general tenor of the instruction and with the developments in the matter subsequent to the assurance he gave me on November 30 that his Government would be grateful for any help the Government of the United States might give in improving relations between Guatemala and Costa Rica, but I did not reveal to him the contents of President Jiménez' letter to Mr. Sack. I requested the Minister to arrange for me to see President Ubico in this connection.

Due to the absence of President Ubico from the capital and to other circumstances it was not practicable for me to see him before today. He was very attentive to my presentation of the point of view of President Jiménez. The Minister for Foreign Affairs had previously assured me that President Ubico looked with favor on the Department's suggestion for an exchange of diplomatic representatives, but that the President was of the opinion that the initiative should be taken by the Government of Costa Rica. At the outset of my conversation with the President he expressed this as his attitude but he was less insistent concerning who should take the initiative after I had explained the viewpoint of President Jiménez. I told him in this connection that I thought it probable that the Department in rendering the assistance asked of it in this matter would endeavor to do so in a way which would not offend the susceptibilities of either of the Governments but, on the contrary, would endeavor to arrange for the exchange of diplomatic representatives on the basis of the fulfillment of the mutual desire of the two Governments. President Ubico then assured me that his Government would send a telegram requesting the *agrément* for its Minister to Costa Rica the moment that a similar telegram was received here from the Government of Costa Rica.

If President Jiménez is also agreeable to the Department's suggestion, it would seem that the question of who takes the initiative might be arranged satisfactorily by an agreement between the parties concerned that the telegrams requesting the *agréments* for the respective ministers would be sent on the same day.

I should add in this connection that this Government continues to be most sensitive to criticisms which are still appearing in the newspapers of San José, and that both the Minister for Foreign Affairs

and the President appear to be quite incapable of comprehending why the press there is not controlled as it is here. They manifestly think that the governmental restraint which prevents the press here from criticizing neighboring republics is a valuable contribution to good understanding among them and should also be imposed in San José. They view with some intolerance what they seem to interpret as weakness in President Jiménez, and it may be that they are somewhat skeptical concerning the effect the proposed exchange of Ministers may have on the relations between the two countries if the more fundamental causes of the existing difficulties are not removed. They seem to realize, however, that the two Ministers if accredited may accomplish something to this end.

Respectfully yours,

MATTHEW E. HANNA

714.18/29 : Telegram

The Minister in Costa Rica (Sack) to the Secretary of State

SAN JOSÉ, February 22, 1935—4 p. m.

[Received 7 : 40 p. m.]

9. The following telegram has been sent to Guatemala :

"February 22, 4 p. m. Referring to your despatch No. 427, February 8.

President Jiménez told me today that he is delighted at the outcome of our negotiations.

President says if Guatemalan Government perceives no objection Costa Rican Minister for Foreign Affairs will send cable to Guatemalan Minister for Foreign Affairs on the morning of March 1st asking *agrément* for Costa Rican Minister Plenipotentiary.

In accordance with your suggestions Costa Rica will expect to receive same day similar telegram from Guatemala.

Confidentially Costa Rica plans to nominate as Minister to Guatemala Riccardo Fernandez Guardia, famous historian, former Costa Rican Minister for Foreign Affairs and former Costa Rican Minister to Washington.

President Jiménez requests me to extend personal thanks to you for your kind intervention. Please advise if March 1st date satisfactory.

Repeated to the Department February 22, 4 p.m."

SACK

714.18/31 : Telegram

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

GUATEMALA [undated.]

[Received February 27, 1935—6 : 35 p. m.]

6. The following telegram has been sent to the Legation in Costa Rica :

"February 27, 4 p. m. Your telegram February 22, 4 p. m. The Minister for Foreign Affairs has expressed his pleasure with the prospective exchange and by instruction of President Ubico has authorized me to inform you that when the *agrément* is requested as set forth in your telegram this Government will immediately give a favorable reply and will at the same time request the *agrément* for Don Carlos Palma, former chief of protocol and now attached to the Foreign Office, as Guatemalan Minister Plenipotentiary to Costa Rica.

March 1st is an acceptable date for the exchange of telegrams. Repeated to the Department."

HANNA

714.18/33 : Telegram

The Minister in Costa Rica (Sack) to the Secretary of State

SAN JOSÉ, February 28, 1935—11 a. m.

[Received 1 : 50 p. m.]

10. The following telegram has been sent to Guatemala :

"February 28, 10 a. m. Your telegram of February 27, 4 p. m.⁴ Because of age and condition of his health Ricardo Fernandez Guardia withdrew acceptance yesterday of mission to Guatemala and the Minister of Foreign Affairs consequently requests the date for exchange of telegrams be changed to March 5th to permit him to arrange for appointment of another Minister.

The Government here has understood that requests for *agrément* of Ministers would be made simultaneously, neither party referring to a previous request received from the other, in order to avoid the impression that either Government was taking the initiative. The Minister for Foreign Affairs therefore suggests that both telegrams be filed at the same hour on the morning of March 5 and contain no reference to a request for *agrément* received from the other Government. Telegrams extending *agrément* can be exchanged subsequently.

Repeated to the Department."

SACK

714.18/34 : Telegram

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

GUATEMALA, February 28, 1935—4 p. m.

[Received 7 : 52 p. m.]

7. The following telegram has been sent to the Legation in Costa Rica :

"February 28, 4 p. m. Your telegram February 28, 10 a. m. I have advised the Minister for Foreign Affairs that there will be some

⁴ See *supra*.

delay in this matter but the attitude here is such that I have thought it advisable to give him no further information from your telegram or to make further representations in this connection until I have received instructions from the Department in reply to telegram I am sending it today. Repeated to the Department."

HANNA

714.18/35 : Telegram

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

GUATEMALA, February 28, 1935—5 p. m.

[Received 8:17 p. m.]

8. My telegram February 28, 4 p. m. I fear President Ubico will be most reluctant to adopt the procedure outlined in Minister Sack's telegram of February 28, 10 a. m., but he may accept it if I am authorized to propose it as the suggestion of the Secretary of State. I hope the Department can send me a telegram in that sense which I can show to President Ubico.

HANNA

714.18/35 : Telegram

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

WASHINGTON, March 1, 1935—6 p. m.

7. Your 8, February 28, 5 p. m. The Department is of course desirous of cooperating in every proper way in furthering friendly relations between the Guatemalan and Costa Rican Governments. It has been gratified to learn of the expressed desire of both Governments to appoint duly accredited diplomatic representatives to aid in this common aim, and sincerely hopes that nothing will prevent this desirable end from being achieved. The Department does not, however, believe that it can appropriately express any views or offer any suggestions which might be interpreted by either Government in any other light than one of strict impartiality and friendliness toward both Governments.

Bearing the foregoing in mind you may say to President Ubico, provided you perceive no objection, that you have consulted the Department regarding this matter and that, in view of the very evident and sincere desire of the Governments of Guatemala and Costa Rica to improve the relations existing between them, and in view of the fact that this Government has been asked by both Governments to assist informally to this end, the Department is glad to express its belief that a procedure whereby the two Governments would notify

each other simultaneously of their intention to accredit diplomatic representatives would appear to be a procedure eminently reasonable and conducive to the realization of the objectives which both Governments have in mind.

PHILLIPS

714.18/37 : Telegram

The Secretary of State to the Minister in Costa Rica (Sack)

WASHINGTON, March 9, 1935—3 p. m.

7. The following telegram, which refers to the suggestion regarding the exchange of telegrams contained in your telegram 10, of February 28, 10:00 a. m., to the Legation at Guatemala,⁵ has been received from Minister Hanna:

"9. March 8, 1 p. m. Department's telegram No. 7, March 1, 6 p. m. This Government at first expressed decided unwillingness to accept the suggested procedure for 'simultaneous' notification but President Ubico has just authorized me to say that he is agreeable to an exchange of telegrams on any designated day without specifying the hour."

You are authorized to transmit the information contained in the foregoing telegram informally to the Costa Rica Government. In doing so, you will make it clear that the Department and its missions are acting merely as a channel of communication between the Governments of Costa Rica and Guatemala in accordance with the expressed desire of those Governments. It desires to limit its assistance to this and is confident, in view of the very evident and sincere desire of the Governments of Costa Rica and Guatemala to improve the relations existing between them, that those Governments will reach an early agreement regarding exchange of ministers, and that the need of this Government's assistance will not be prolonged.

HULL

714.18/38

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

No. 564

GUATEMALA, March 9, 1935.

[Received March 13.]

SIR: I have the honor to submit the following report supplementing my telegram No. 9 of March 8, 1 p. m.⁶

⁵ See telegram No. 10, February 28, 11 a. m. from the Minister in Costa Rica, p. 235.

⁶ See *supra*.

On Monday, March 4, I called on the Minister for Foreign Affairs and requested him to arrange for me to see President Ubico in connection with the Department's telegram No. 7 of March 1, 6 p. m. concerning Guatemalan-Costa Rican relations. The Minister expressed the desire to be informed in some detail as to the nature of the Department's views, and I therefore permitted him to read the telegram. The Minister invited me to his office the following morning and told me briefly and categorically that the President had instructed him to say that the procedure suggested by the Department was not satisfactory to this Government. I replied by expressing my regret, and added that it would appear therefore that my Government could be of no further assistance in the matter.

The Minister then launched into a prolonged general discussion of the relations between Guatemala and Costa Rica which was mainly a repetition of his previous conversations on this subject which I have reported. I made no comment other than to repeat my expression of regret from time to time. He persisted in his complaints against the Government of Costa Rica and made quite evident his desire that I should make some comment.

I thereupon told him that if I were to make any comment at all it should be made with complete frankness although of course in the most friendly spirit. I told him that my information indicated that the criticisms which have appeared in the Costa Rican press had their origin largely if not entirely in the propaganda of Guatemalan exiles in San José, and that the Government here would appear to be mistaken in its apparent belief that the criticisms represent sentiments of the Government and people of Costa Rica. I told him that I found it difficult to understand why this Government should attach so much importance to newspaper criticism, and I asked him to contrast the attitude of this Government in that respect to that of many another Government that is being subjected to similar criticisms by newspapers of foreign countries. I told him that I had been laboring diligently and conscientiously as a friend of Guatemala and its Government to show the real aims of President Ubico and his Government and to correct misunderstandings concerning them. I reminded him that, to this end, I had made numerous reports to my Government setting forth very clearly that incorrect motives were being attributed to President Ubico and that many false reports concerning his acts and intentions were being circulated. I mentioned that, as he was already aware, I had emphasized particularly my belief in the groundlessness of the charge that President Ubico was meddling in the affairs of other Central American countries, and that I had pointed out emphatically that, on the contrary, he was conscientiously endeavoring to abstain from any such meddling and seemingly was particularly

desirous of cultivating more friendly relations with all his Central American neighbors. I then told him that, in view of his Government's attitude toward the reasonable suggestion of my Government for improving the relations between Guatemala and Costa Rica, I felt compelled to state with all frankness that I would feel under some restraint in the future to express myself with so much clarity and conviction. I added that I very much feared that his Government's rejection of my Government's proposal would be learned with surprise and profound regret in the Department of State. Finally I told him in the most friendly manner that in my opinion the Government here is supersensitive to press criticism.

On returning to the Legation I addressed a personal letter to President Ubico, copy of which is enclosed.⁷ I was in some doubt whether the President was fully informed concerning the Department's attitude, and whether a brusque and categorical refusal was the only reply he desired to make to the Department's suggestion. Also, I deemed it desirable to make very clear that the Department had extended its good offices in response to the explicit request of the Government of Guatemala, as well as to draw attention to my not having been accorded an opportunity to see the President.

I called on the President on March 8 in response to his invitation. At the outset of our conversation he said that he would reply to a telegram from the Government of Costa Rica the moment it was received, but that he felt that the Costa Rican Government was mainly responsible for the present coolness in the relations between the two governments and therefore should take the initiative in an exchange of telegrams. He said he understood perfectly that the Department could adopt no other attitude than one of absolute impartiality and friendship for both the Governments concerned, even though he felt that the relations of Guatemala with the United States throughout its entire history probably entitled it to greater consideration than would be shown to Costa Rica if the latter were judged by the same standard.

I told the President that, while I had no desire to influence his decision unduly, I did feel that I could say to him that Guatemala, in view of its special position in the Central American group of states and its outstanding prestige among them, could afford to be very generous in its attitude towards Costa Rica. I told him that in all probability such an attitude would create a splendid impression not only in Central America but in all America, and certainly would not detract from the prestige of his Government. I then asked him if he would agree on an exchange of telegrams with the Government of Costa Rica on some specific day but without specifying the hour. After some slight

⁷ Not printed.

hesitation, he answered in the affirmative. He added smilingly that Costa Rica probably would wait until midnight to send its telegram but that Guatemala could wait also if it chose to do so.

Respectfully yours,

MATTHEW E. HANNA

714.18/39 : Telegram

The Minister in Costa Rica (Sack) to the Secretary of State

SAN JOSÉ, March 14, 1935—5 p. m.

[Received 10:10 p. m.]

12. The following telegram has been sent to Guatemala:

"March 14, 5 p. m. Your telegram No. 9 of March 8, 1 p. m., to the Department.⁸ The Minister for Foreign Affairs requests that you inform the Guatemalan Government that he is prepared to exchange telegrams on any designated date without specifying the hour. The Minister for Foreign Affairs assumes that the exchange will be made on the basis indicated in the first sentence of the second paragraph of my telegram of February 28, 10 a. m.,⁹ that is, neither telegram will refer to receipt of request from the other Government, *agrément* being extended by telegram on the following day.

I will telegraph you name of Costa Rican Minister as soon as designated, probably tomorrow or Saturday.

The Minister for Foreign Affairs suggests March 18¹⁰ as a satisfactory date for exchange of telegrams if this is agreeable to the Guatemalan Government. Repeated to the Department".

SACK

714.18/38

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

No. 171

WASHINGTON, March 25, 1935.

SIR: The receipt is acknowledged of your despatch No. 564 of March 9, 1935, with reference to relations between Guatemala and Costa Rica. I have read your report with great interest and wish to commend you for your prompt and effective action in a situation which otherwise might clearly have had results prejudicial to the interest of the United States.

Very truly yours,

CORDELL HULL

⁸ See telegram No. 7, March 9, 3 p. m., to the Minister in Costa Rica, p. 237.

⁹ See telegram No. 10, February 28, 11 a. m., from the Minister in Costa Rica, p. 235.

¹⁰ The exchange of telegrams regarding *agrément*s for the Ministers took place on March 20.

COOPERATION OF THE UNITED STATES WITH OTHER
GOVERNMENTS IN THE CONSTRUCTION OF THE
INTER-AMERICAN HIGHWAY ¹

810.154/700

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

No. 471

GUATEMALA, December 20, 1934.

[Received December 26.]

SIR: With reference to my despatch No. 401 of October 30, 1934,² and previous communications concerning the Inter-American Highway, I have the honor to transmit herewith a copy and translation of the report³ made to General Rafael Aldana A., Director General of Roads in the Department of Agriculture, by the Committee designated to examine the highway from this capital to the frontier of El Salvador to determine the changes, improvements, et cetera which the Committee deems desirable.

It will be noted that the Report does not recommend any radical departure from the route of the existing highway between this capital and the frontier of El Salvador, nor does it cover the portion of the highway from this capital to the Mexican frontier. It would seem that the desire of this Government is to confine its efforts and financial resources for the present to the first mentioned portion of the highway for the reasons set forth in my despatch No. 401 on this subject. This appears to me to be a wise limitation of their efforts under existing conditions.

It will be noted that the total cost as estimated in the report of opening up the highway, presumably to traffic all the year round, is \$1,303,359. This cost embraces all items, including bridges and twenty-five percent for unforeseen expenditures and miscellaneous, but apparently not including the item of road machinery to be purchased. The estimate is for ordinary macadam pavement. The report states that if asphalt macadam two inches thick were laid the cost would be increased by \$870,000. It is stated that if this latter type of pavement were laid, 1,760,000 gallons of asphalt would be required at a cost of \$242,000 landed at Puerto Barrios. For a cheaper asphalt,

¹ Continued from *Foreign Relations*, 1934, vol. iv, pp. 467-494.

² *Ibid.*, p. 481.

³ Not printed.

the cost would be \$176,000. The asphalt presumably would be purchased of United States producers.

I also reported in my despatch No. 401 that the Minister for Foreign Affairs, in a conversation with me, said that this Government would be interested mainly in receiving road building machinery and bridge material as its quota of the one million dollars appropriated by the Congress to cooperate in the construction of the Inter-American Highway. Apparently with this in mind, the Director General of Roads set forth in detail in his report the cost of bridges, culverts and drainage pipe which totals \$124,837. Presumably some if not all of the drainage pipe costing \$51,000 could be manufactured in Guatemala, but the material for the bridges (eight of which are new and represent a total cost of \$62,715.00) probably would constitute a considerable purchase in the United States.

The note of the Minister for Foreign Affairs transmitting the report of the Director General of Roads was accompanied by an informal statement of machinery needed in connection with the construction of the highway. I will transcribe it below exactly as received. It probably will be intelligible to the appropriate officials of the Bureau of Public Roads.

[Here follows list of machinery.]

I have received no indication from this Government concerning the extent to which it is able to cooperate financially in carrying out its part of a satisfactory arrangement to utilize the material and machinery which we might donate for this purpose. I suggested informally to the Minister for Foreign Affairs more than a month ago that the inauguration of work on the highway probably would be expedited if his Government could submit some concrete proposal concerning what it is prepared to do by way of financing the work, he having specifically stated in his note of October 24 on this subject that "The Government of Guatemala is ready to cooperate, within its capacity in the construction of the highway in the section pertaining to Guatemala". No such proposal has been submitted. My efforts to obtain some concrete statement would be facilitated if, in the light of the information contained in the accompanying report, I could be advised of the definite plans and desires of the Bureau of Public Roads for beginning construction work in this country, by way of responding to the effective cooperation already given by this Government and to its evident good will in this matter. Interest in this matter here appears to be genuine and it should not be permitted to wane through any fault or negligence on our part.

Respectfully yours,

MATTHEW E. HANNA

810.154/728

The Ambassador in Mexico (Daniels) to the Secretary of State

No. 2166

MEXICO, January 29, 1935.

[Received February 4.]

SIR: I have the honor to refer to the Department's airmail instruction No. 549 of December 10, 1935 [1934],⁴ requesting the Embassy again to present the matter of the reorganization of the Inter-American Highway Commission to the appropriate authorities of the Mexican Government, and in connection therewith to enclose a copy and translation of the Foreign Office's note No. 667 of January 23, 1935.⁵ It will be noted that, while the Mexican Government feels that it is in a position to complete its part of the Pan-American Highway, it nevertheless expresses its willingness to coöperate with the United States and the countries of Central America to an end that the Highway may be terminated at an early date. The Embassy will be pleased to transmit to the Foreign Office any further information of a specific character such as that which is requested by the Mexican Government.

Respectfully yours,

JOSEPHUS DANIELS

810.154/741

*Memorandum by the Chief of the Division of Latin American Affairs
(Wilson)*

[WASHINGTON,] February 6, 1935.

The Colombian Chargé d'Affaires called by appointment. He referred to the conversation he had had with Mr. Welles⁶ on December 19, 1934, when Mr. Welles had mentioned the interest of our authorities in making plans to carry out the reconnaissance survey of the Inter-American Highway south of Panama, and of his hope that the Government of Colombia would be willing to have Colombian engineers cooperate with our own engineers in the reconnaissance survey through Colombia. Dr. González-Fernández said that he had reported this conversation to his Government and had now been advised that the matter had been taken up with the Colombian Highway Department and a memorandum furnished him giving information as to the status of surveys performed by the Colombian engineers of the

⁴ *Foreign Relations*, 1934, vol. iv, p. 493.⁵ Not printed.⁶ Sumner Welles, Assistant Secretary of State.

proposed route through Colombia. He gave me a copy of the memorandum which is attached hereto.⁷ He remarked that the memorandum was silent as to the suggestion that United States engineers might carry out the survey in Colombia in cooperation with Colombian engineers. He said, however, that he was sure his Government would have no objection to this being done and he would be glad to take up again that specific point whenever we desired. I thanked him for his information and said I would pass it on to our Bureau of Public Roads.

Dr. González-Fernández then spoke of the Rio de Janeiro protocol,⁸ said that Dr. Olaya had taken over the post of Foreign Minister yesterday and he was sure that Dr. Olaya would not have accepted it unless he believed he could obtain ratification of the protocol without modifications. He thought it likely the course pursued would be one of dissolution of the Colombian Congress at an early date and then after the elections in May, with a Liberal majority in both Houses of the Congress, there would be no difficulty in obtaining ratification of the Rio de Janeiro protocol.

As regards the pending trade agreement with the United States,⁹ Dr. González-Fernández said that he was sorry that the Legation had not received any word in reply to the cable which it had sent some ten days ago at my request regarding our desire for an early reply to our proposals, and our suggestion about sending an expert to Bogotá to assist in expediting the matter. He said that of course consideration of the Rio de Janeiro protocol had necessarily taken precedence over all other matters, but that he was confident that Dr. Olaya would wish to push these negotiations as rapidly as possible.

EDWIN C. WILSON

810.154/736

The Secretary of State to the Chargé in Panama (Burdett)

No. 222

WASHINGTON, February 15, 1935.

SIR: There is enclosed for your information a copy of a letter addressed to the Secretary of State on February 9, 1935,⁷ by the Acting Secretary of Agriculture, which announces that steps have been taken by the Bureau of Public Roads of that Department to reopen its office

⁷ Not printed.

⁸ Between Colombia and Peru, signed May 24, 1934, *Foreign Relations*, 1934, vol. iv, p. 361; for correspondence concerning ratification by Colombia, see *ante*, pp. 199 ff.

⁹ See pp. 430 ff.

in Panama in order to be in a position to continue the cooperative reconnaissance surveys on the route of the Inter-American Highway beyond the Panama Canal, when requests shall be received for such cooperation, or to assist in location surveys and construction work on the highway in the countries through which reconnaissance surveys have already been effected, when requests for such assistance shall be received and satisfactory assurances of cooperation by the other interested governments shall be given. There are also enclosed copies of the letter and the radio message, both of February 1, 1935,¹⁰ from the Chief of the United States Bureau of Public Roads to Señor Tomás Guardia, Chief Engineer of the Junta Central de Caminos of Panama, mentioned in the letter first referred to above, and a copy of a cabled reply dated February 5¹⁰ from Señor Guardia to the Chief of the Bureau of Public Roads.

In the Department's instruction of October 17, 1934,¹¹ there were quoted the texts of the two congressional acts, referred to in the enclosed letters, which made available funds for this Government's continued cooperation with the other interested governments in work on the projected Inter-American Highway.

Very truly yours,

For the Secretary of State:
WILBUR J. CARR

810.154/736

*The Secretary of State to the Minister in Costa Rica (Sack)*¹²

No. 140

WASHINGTON, February 15, 1935.

SIR: The Acting Secretary of Agriculture has stated in a letter of February 9, 1935,¹⁰ to the Secretary of State that the Bureau of Public Roads of his Department has taken steps to reopen within a few weeks its office in Panama in order to be in a position to continue the cooperative reconnaissance surveys on the route of the Inter-American Highway beyond the Panama Canal, when requests shall be received for such cooperation, or to assist in location surveys and construction work on the highway in the countries through which reconnaissance surveys have already been effected, when requests for such assistance shall be received and satisfactory assurances of cooperation by the other interested governments shall be given.

¹⁰ Not printed.

¹¹ *Foreign Relations*, 1934, vol. iv, p. 476.

¹² The same, February 15, to the Ministers in El Salvador (No. 77), Guatemala (No. 153), and Honduras (No. 669), and to the Chargé in Nicaragua (No. 202).

In the Department's instruction of October 17, 1934,¹⁵ there were quoted the texts of the two congressional acts which made available funds for this government's continued cooperation with the other interested governments in work on the projected Inter-American Highway.

In the letter from the Acting Secretary of Agriculture he explained that it is not possible at this time to give the exact date on which the Panama office will be reopened nor to indicate the personnel to be attached to it.

Very truly yours,

For the Secretary of State:
WILBUR J. CARR

810.154/755

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

No. 165

WASHINGTON, March 16, 1935.

SIR: Copies of your despatch No. 471 dated December 20, 1934, and of its enclosures, were on January 23, 1935, forwarded to the Secretary of Agriculture for the information of the Chief of the Bureau of Public Roads.

Attention was called to your statement that you had not yet received from the Guatemalan Government any indication "concerning the extent to which it is able to cooperate financially in carrying out its part of a satisfactory arrangement to utilize the material and machinery which we might donate for this purpose" from the fund of one million dollars appropriated by the Congress of the United States to enable this Government to cooperate with the other interested governments in construction work on the Inter-American Highway. Attention was also invited to your expression of opinion that your efforts to obtain some concrete statement would be facilitated if, in the light of the information contained in the report enclosed with your despatch, you "could be advised of the definite plans and desires of the Bureau of Public Roads for beginning construction work" in that country.

Advice was requested regarding the response which should be made to the suggestions contained in your despatch.

There is enclosed for your information a copy of a reply dated February 27, 1935,¹⁶ which has just been received from the Secretary of Agriculture. You will note that while this letter does not indicate the definite plans and desires of the Bureau of Public Roads with

¹⁵ *Foreign Relations*, 1934, vol. iv, p. 476.

¹⁶ Not printed.

reference to the contemplated construction work in Guatemala, it does state that the plan which that Government appears to have for work on the section indicated of the highway in Guatemala "is in harmony with what is considered here feasible and practicable" and "it is hoped general policies can be established within the reasonably near future that will permit the undertaking of cooperative projects with the Guatemalan Government". You will note the intimation that assurance might be given to the Guatemalan Government that "definite proposals will be forthcoming in the near future". You will also observe the statement that after the reopening of the Panama office, which it is planned will occur soon, it will be possible to take up through the personnel of that office the formulation of definite projects for cooperating in the contemplated construction work on the highway.

Very truly yours,

For the Secretary of State:
SUMNER WELLES

810.154/760

The Secretary of State to the Secretary of Agriculture (Wallace)

WASHINGTON, March 23, 1935.

MY DEAR MR. SECRETARY: I have received your letter of March 13, 1935,¹⁷ with reference to Public Act 412, 73d Congress,¹⁸ which makes available under the Department of State title the sum of \$1,000,000 for surveys and construction on the Inter-American Highway. You suggest that the Bureau of Public Roads of your Department be designated as the engineering organization to carry out the provisions of the law referred to, and that the approval of the President be secured for the expenditure at this time of not to exceed \$100,000 for surveys, plans and estimates of those projects the construction of which in the several countries may be agreed to.

In this connection it is recalled that Public Act No. 393, 73d Congress,¹⁹ 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 administrative funds provided under the Act of July 11, 1916 (U. S. C., title 23, sec. 21), as amended, or as otherwise provided."

¹⁷ Not printed.

¹⁸ 48 Stat. 1042.

¹⁹ 48 Stat. 996.

It will be recalled also that prior to the passage of Public Act 412, making available the sum of \$1,000,000, this Department gave assurances to Congress that to the greatest extent possible the sum made available would be used in the purchase of materials in the United States, the desire of Congress being, particularly, that some stimulus might be given in this manner to the heavy goods industries in the United States.

In view of this commitment, the Department of State prefers not to request authorization to expend any sum of the \$1,000,000 fund mentioned on surveys or studies, unless it can be shown that funds for these purposes are not obtainable from some other source.

As already indicated by the text quoted above, Public Act No. 393 authorizes you to expend up to \$75,000 in continuation of the reconnaissance surveys and in "making location surveys, plans, and estimates" for an Inter-American Highway.

This Department, for reasons of a political nature, does not consider that the time is appropriate to approach Governments of South America further with suggestions that they ask the assistance of this Government in connection with reconnaissance surveys of the proposed highway route through those countries. Furthermore, even were requests to be received without prior solicitation or suggestion by this Government, the Department would be unwilling for the same reasons that engineers in the employ of this Government should engage in survey work in any of the countries of South America at the present time. It is apparent, therefore, that there will be no opportunity in the near future for your Department to expend any part of the \$75,000 made available to it in conducting reconnaissance surveys in South America.

I take the liberty of suggesting, therefore, that the interest of the proposed highway will be best served, and the intent of the United States Congress in making available for highway purposes a total of \$1,075,000 will be adequately carried out if your Department would consent to utilize the sum of \$75,000 made available to it in making the instrument surveys, preparing the estimates, et cetera, which will be required before actual construction work may be undertaken in the countries of Central America and Panama, it being understood that this Department will request the President's authorization for the expenditure, out of the sum of \$1,000,000 made available to it, of such additional funds, if any, as may be necessary for the proper completion of such instrument surveys, estimates, et cetera.

There is evidence that the Governments of some, at least, of the countries of Central America, and Panama, through which a reconnaissance survey of the proposed highway was made by engineers of

the Bureau of Public Roads, are eager to receive the further aid from this Government which is made possible by the legislation referred to.

This Department is of the opinion that the Government of the United States, in view of the situation I have explained, should confine its present assistance to the countries of Central America and Panama; that the fund of \$75,000 made available to your Department might best be expended in the manner I have suggested, and that the interests of this Government, as well as of the proposed highway will be served and the intent of the Congress carried out if the further assistance I have suggested can be extended without delay.

Sincerely yours,

CORDELL HULL

810.154/767

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

No. 584

GUATEMALA, March 25, 1935.

[Received April 2.]

SIR: I have the honor to acknowledge the receipt today of the Department's instruction No. 165 of March 16, 1935, advising me that my airmail despatch of December 20, 1934, concerning Guatemalan participation in the construction of the Inter-American Highway was referred to the Secretary of Agriculture on January 23, 1935, with a request for his advice regarding the response which should be made to the suggestions contained in my despatch; and transmitting for my information a copy of the reply of the Secretary of Agriculture dated February 27, 1935.²⁰

I have carefully noted that the letter of the Secretary of Agriculture indicates that the plan which the Government of Guatemala appears to have for cooperating with the Government of the United States in the construction of the Highway "is in harmony with what is considered here feasible and practicable", expresses the hope that "general policies can be established within the reasonably near future that will permit the undertaking of cooperative projects with the Guatemalan Government", mentions the harmony of views among the countries concerned "as to the desirability of early and vigorous action in the fulfillment of this project", and intimates that assurances might be given to the Government of Guatemala that "definite proposals will be forthcoming in the near future".

In the light of the information contained in my air mail despatch No. 538 of February 20, 1935,²⁰ I doubt the advisability of my initiating any further exchanges with this Government on this subject until I can give it some fairly specific advice concerning the cooperation

²⁰ Not printed.

on the part of this Government which is desired by the Bureau of Public Roads to the end that work may be begun on the project in Guatemala. I had hoped that this might be done in advance of reopening the office of the Bureau of Public Roads in Panama. However, I will not fail to bear in mind the suggestions of the Secretary of Agriculture and will find them useful in the event that the matter is raised by the authorities here.

Respectfully yours,

MATTHEW E. HANNA

810.154/768

The Secretary of State to the Minister in Panama (Summerlin) ²²

No. 237

WASHINGTON, March 30, 1935.

SIR: Referring to the Department's instruction of February 15, 1935, announcing the approaching reopening by the United States Bureau of Public Roads of its Panama office, there is enclosed for your further information a copy of a letter, dated March 21, 1935,²³ from the Chief of the Bureau of Public Roads to the Chief of the Division of Latin American Affairs of the Department of State, concerning the contemplated visit in the near future of Mr. E. W. James of that Bureau to the capitals of Panama and the Central American countries to confer with the highway or other appropriate officials of the Governments of those countries regarding further work on the Inter-American Highway.

You will observe that he expects to reach Panama on or about April 5, 1935. It is understood that he will call at the Legation shortly after his arrival. Please introduce him to the appropriate authorities and show to him such other courtesies and render such assistance in his work as may be possible and proper.

Very truly yours,

For the Secretary of State:
SUMNER WELLES

810.154/783

The Minister in Costa Rica (Sack) to the Secretary of State

No. 693

SAN JOSÉ, April 24, 1935.
[Received May 1.]

SIR: In further reference to the Department's Instruction No. 146 of March 30, 1935,²⁴ I have the honor to report that Mr. E. W. James

²² Similar instructions, March 30, were sent to the Ministers in Costa Rica (No. 146), El Salvador (No. 94), Guatemala (No. 173), Honduras (No. 679), and Nicaragua (No. 234).

²³ Not printed.

²⁴ See footnote 22, above.

of the Bureau of Public Roads of the Department of Agriculture in Washington, and Mr. George Curtis Peck of the same organization, arrived in San José on April 13 by airplane from Panama in their efforts to arouse a more active interest in the Central American countries in the proposed Inter-American Highway.

On the afternoon of their arrival I took both gentlemen to call on Foreign Minister Gurdíán who expressed to them his great interest in the project and his eagerness to have the Costa Rican section of the highway completed as soon as possible. At the same time Mr. Gurdíán pointed out, as previously reported by this Legation in Despatch No. 626 of February 25, 1935,²⁵ that the Costa Rican Government at the present moment does not see its way clear to undertake the expensive task of building this highway north to the Nicaraguan border and south to the Panamanian border. Mr. Gurdíán added that just as soon as funds are available the Costa Rican Government will energetically set about building the highway south to the Panamanian border because he and his associates feel that the completion of the south link will immediately open to Costa Rica great sources of revenues from tourists in Panama and in the Canal Zone, and from the sale of Costa Rican commodities including meats, vegetables, flowers, et cetera to Panama and the Canal Zone.

Messrs. James and Peck informed Mr. Gurdíán that their visit was for the purpose of being as helpful as possible in assisting this Government and other Central American Governments in working out plans for the highway and that they had come here for the purpose also of informally ascertaining how a portion of the million dollars appropriated by the last Congress could intelligently and equitably be allocated to Costa Rica. Mr. James pointed out that any monies which might be allocated to Costa Rica would be for the purpose of assisting the Government in carrying out the main project and would be for a purpose necessary to the earlier completion of the highway and its general utility.

No commitments were made at the conference other than those explained above by either Mr. Gurdíán or Messrs. James and Peck. At the termination of the conference Mr. Gurdíán telephoned to Mr. Ricardo Pacheco Lara, who had then been designated as Minister of Fomento and was planning to take over his new office within ten days (see Despatch No. 690 of April 23rd ²⁵), to fix an appointment for that afternoon.

Although I did not accompany Messrs. James and Peck to the conference with Mr. Pacheco, I understand that Mr. Pacheco expressed his keen interest in the proposal and his eagerness to see the highway

²⁵ Not printed.

completed at the earliest possible date. Mr. Pacheco in a subsequent newspaper interview said: "I listened to their statements and explained to them that I could not give them any answer until after taking charge of the Ministry and that I would talk over the matter with the President of the Republic."

He added that he will discuss the project with President Jiménez at the first opportunity "with the object of solving this matter".

During their visit here Messrs. James and Peck gave out many newspaper interviews all for the purpose of stimulating interest and I understand that accompanied by Mr. Juan Matamoros, prominent Costa Rican engineer who has had highway construction experience, they visited outlying portions of the Meseta Central where the proposed highway will traverse.

Mr. James promised to give the Legation, before leaving Costa Rica, a memorandum of his conversations and activities here and his impressions but he and Mr. Peck left San José on April 22nd without saying goodby either to the Minister or Secretary Drew or any of the Legation staff. It is quite possible that Mr. James and Mr. Peck found it necessary to leave a day or so earlier than they anticipated and therefore were unable to give the Legation the benefit of their observations and conversations.

From San José the Bureau of Public Roads officials went to Puntarenas on the Pacific coast from which point they plan to proceed north by boat and by horseback to the Nicaraguan border following as much as possible the proposed route of the highway.

Respectfully yours,

LEO R. SACK

810.154/786

The Minister in Nicaragua (Lane) to the Secretary of State

No. 823

MANAGUA, May 8, 1935.

[Received May 16.]

SIR: Referring to my despatch No. 788, of April 2, 1935,²⁷ I have the honor to inform the Department that on April 26, Messrs. Edwin W. James, and George Curtis Peck called at the Legation and stated that they had arrived that morning from Granada. That afternoon I presented them to the Minister for Foreign Affairs and made arrangements for them to be received by the President, who was then at "El Diamante" at Momotombo on the Lake of Managua, on Monday morning, April 29.

Prior to the interview with the President, I presented Messrs. James and Peck to the Minister of Fomento, Doctor Isaac Montealegre, and

²⁷ Not printed.

to the General Manager of the National Railroad, Señor José de la Luz Guerrero, each of whom presented their views orally to Messrs. James and Peck as to the route which, in their respective opinions, should be followed.

Mr. James explained that it would be useful for him to have information on two points: (1) the route which the Nicaraguan Government desired to follow, and (2) the principal needs of the Nicaraguan Government in connection with materials and, specifically, a list of the bridges to be built, in the order of their importance.

Both Doctor Montealegre and Mr. Guerrero agreed that the route should enter Nicaragua from Costa Rica near the western coast of the Lake of Nicaragua, and follow the route already approved in the reconnaissance survey to Granada. From Granada the route should be to Tipitapa, and thence to Sebaco. Doctor Montealegre had suggested that from Sebaco the route should touch El Sauce, the northern terminal of the León-El Sauce railroad spur. Mr. Guerrero pointed out, however, that from the point of view of the interests of the railroad such a junction would be uneconomic, and it was thereupon agreed that the road should pass from Sebaco to Estelí. No final decision was made as to the route from Estelí to the Honduran border. The two alternatives suggested were (1) from Estelí to San Marcos, Honduras, and (2) from Estelí to Ocotal and thence to Yuscarán, Honduras.

At the meeting with the President on April 29, the matter was again discussed in the presence of Messrs. James and Peck, Doctor Montealegre, Mr. Guerrero, the Under Secretary of Fomento, Doctor Federico Lacayo, and myself. It was agreed that letters, setting forth the needs of the Nicaraguan Government, should be sent to Mr. James, he promising to communicate with me through the Department as to the final decision reached.

I wish to take this opportunity to express my appreciation for the tactful manner in which Mr. James approached the Nicaraguan authorities, giving them the feeling that he was not interfering with their wishes as to the construction of the road, but at the same time giving them the benefit of his technical knowledge. Members of the government expressed to me their surprise that an American official who had never visited Nicaragua, should apparently have better knowledge than Nicaraguan officials of topographic and other conditions in Nicaragua. After Messrs. James and Peck had taken their leave, the President took the opportunity to say to me personally that his chief concern at present is the difficulty in obtaining the funds necessary to proceed with the road construction. I advised the President to await the recommendations which Mr. James will undoubtedly make regarding the technical work to be done before taking up the

question of financing construction. I made it clear to the President, as has also been done on previous occasions, that the Congressional Act authorizing the purchase of materials to be used on the Inter-American Highway does not provide for the allotment of funds to be spent outside of the United States.

Respectfully yours,

ARTHUR BLISS LANE

810.154/785

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

No. 243

SAN SALVADOR, May 9, 1935.

[Received May 15.]

SIR: Referring to Department's instruction Numbers 38 of October 17, 1934,²⁸ 77 of February 15, 1935,²⁹ and 94 of March 30, 1935,³⁰ and accompanying correspondence, I have the honor to report that Mr. E. W. James of the Bureau of Public Roads of the United States accompanied by Mr. George Curtis Peck of the Panama office of that Bureau arrived in San Salvador May 14. They were put in touch with the Subsecretary of Public Works, Manuel López Harrison, who has charge of all highway construction in this country. Mr. López Harrison arranged an interview between these gentlemen and President Martínez the following morning at 10.00 a. m.

Following this interview Mr. James reported to me how completely surprised he was by the President's attitude. President Martínez unequivocally refused to consider a tentative offer of material for a bridge across the river Lempa in the path of the proposed inter-American highway. He said that Salvadoran public opinion would not permit the acceptance of anything in the nature of a gift from the United States. He did however indicate that credits for materials for highway construction or a loan at a low rate of interest would be acceptable.

I am not surprised at the attitude assumed by President Martínez. The recent very acrimonious newspaper agitation with regard to the readjustment of the Foreign Loan Contract has aroused a spirit of nationalism characterized by asseveration of ability to go it alone and by opposition to anything that seems to impugn sovereignty.

Therefore acceptance of what amounts to a gift from the United States would result in unfavorable public reaction at this time. This is not necessarily a symptom of unfriendliness as it is not discrimina-

²⁸ See *Foreign Relations*, 1934, vol. iv, p. 476, footnote 11.

²⁹ See footnote 12, p. 245.

³⁰ See footnote 22, p. 250.

tory but it is a state of feeling that might easily develop elements of discord. The matter can be re-opened later under more favorable conditions.

Respectfully yours,

FRANK P. CORRIGAN

810.154/789

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

No. 652

GUATEMALA, May 21, 1935.

[Received May 25.]

SIR: With reference to the Department's instruction No. 173 of March 30, 1935,³¹ I have the honor to report that Mr. E. W. James of the United States Bureau of Public Roads, accompanied by Mr. George Curtis Peck, arrived in this capital on May 15.

I introduced Messrs. James and Peck to the Minister for Foreign Affairs on May 16. I had previously informed the Minister of their prospective visit and its purpose and had requested him to advise the appropriate Guatemalan authorities. I had also discussed the purpose of their visit with the Minister of Agriculture, Dr. Guillermo Cruz, to the end that he might be prepared for the visit of Mr. James. The Minister for Foreign Affairs received us with marked cordiality and, after expressing his own enthusiastic interest in the proffered cooperation of the United States in the construction of the Inter-American Highway, he made engagements for us to call on the President and the Minister of Agriculture.

We had a very satisfactory preliminary conversation with Dr. Cruz and his assistants the following day, as a result of which Dr. Cruz addressed a letter to Mr. James outlining the assistance desired by this Government, but omitting any reference to the cooperation this Government will give, although this point had been discussed in our conversation with Dr. Cruz. Consequently, in our subsequent conversation with President Ubico, the matter of the cooperation which might be expected from Guatemala was fully and frankly discussed, and a definite understanding reached. The President realized that this would expedite the termination of a definite arrangement for beginning work, and he authorized us to request Dr. Cruz to revise his letter so as to specify the cooperation to be given by this Government. In our subsequent conversation with Dr. Cruz, a satisfactory understanding was easily arrived at and was embodied in Dr. Cruz's

³¹ See footnote 22, p. 250.

letter to Mr. James dated May 17, 1935, copy and translation of which is transmitted herewith.

President Ubico's attitude was in every respect most friendly.

Mr. James is leaving for Mexico tomorrow, and Mr. Peck is returning to Panama by ship on May 24.

Respectfully yours,

MATTHEW E. HANNA

[Enclosure—Translation]

The Guatemalan Minister of Agriculture (Cruz) to the Chief of the Inter-American Highway Commission (James)

GUATEMALA, May 17, 1935.

DISTINGUISHED SIR: Referring to the conversation that I was pleased to have with you this morning in this connection, I desire to inform you that, after having studied the present condition of the International Highway from the Mexican frontier to that of Salvador, I have reached the conclusion that, in order to put said Highway in perfect condition for transit, the following is needed:

- 1) Construction of three bridges of great importance, and
- 2) Acquisition of indispensable machinery and vehicles, as follows:

Bridges

Eastern Section of the Highway

a) Bridge over the Tamazulapa river

b) Bridge over the Esclavos river

Western Section of the Highway

c) Bridge over the Panajachel river.

Machinery & Vehicles

[Here follows list of machinery and vehicles.]

The Government of this country formally agrees, provided it is supplied with the bridge material and the vehicles and machinery mentioned above, to expend annually and during the necessary time the sum of seventy-five thousand Quetzales (Q75,000) (1 quetzal equal 1 dollar at the present time) on the Highway, and, in addition to the personnel whose salaries are paid from those funds, to utilize the laborers who will work in exchange for *vialidad* tickets, the emission of which is authorized by laws and regulations issued by the Executive Power.

I should add that the construction and erection of the three first-class bridges to which I referred at the outset will be the subject of studies, specifications and plans which will be prepared in due time;

that the material for said bridges will be furnished by the Institution that you represent, as will also the skilled labor for erecting them, the salaries for which labor will be to your exclusive account. The foundations for those bridges will be made at the expense of the Government (of Guatemala).

With expressions [etc.]

GUILLERMO CRUZ

810.154/790

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

No. 658

GUATEMALA, May 23, 1935.

[Received May 29.]

SIR: Supplementing my despatch No. 652 of May 21, 1935, reporting on the visit of Messrs. James and Peck in connection with the Inter-American Highway project, and with particular reference to the Department's telegram No. 14 of May 6,³² I have the honor to report that Mr. James and I are in complete accord regarding the general principles of a definite agreement for the mutual cooperation of the Government of the United States and the Government of Guatemala in the furtherance of the Highway. The essential points on which we have agreed are as follows:

1. Due consideration should be given to the following points in determining the allotment to Guatemala from the available fund:

(a) The Government of Guatemala has formally agreed to cooperate with an annual expenditure of \$75,000 as well as with additional labor under its "vialidad" laws which may be calculated at from \$15,000 to \$25,000 more.

(b) The Government of Guatemala has never wavered in its support of the project, but has invariably taken a helpful attitude towards it.

(c) The Government of Guatemala has been following a progressive and intensive program of road construction (within its limited means) which merits encouragement, as well as emulation by some of the other Central American countries.

(d) This Government's existing road-building organization and President Ubico's well established reputation for exacting honest administration are guarantees that the cooperation of this Government will be prompt, efficient, and free from graft.

(e) Our cooperation with Guatemala will immediately open all-year-round communication between two Central American capitals—Guatemala City and San Salvador.

2. Unless this Government should insist on the contrary and present sound reasons for such insistence, our cooperation should be restricted

³² Not printed.

to the section of the Highway from this capital to the frontier of El Salvador. Work on the section from this capital to the Mexican frontier could not facilitate intercommunication between the capitals of the countries concerned in this project until Mexico has completed the Highway from its capital to the Suchiate river. This Government has specified a large and expensive bridge for the latter section, but I have no reason to believe that it will insist on this in preference to a number of minor bridges on the other section which are necessary but were not specified because of their smaller size.

3. Reasonable consideration should be given to this Government's specifications for road-building machinery, with particular reference to the Government's own road-building program as well as to the use of the machinery on the Highway itself, but, in general, our financial assistance should be given primarily for the construction of bridges, and secondarily for machinery to be used on improving the Highway from this capital to the border of El Salvador. I do not foresee any great difficulty in reaching a completely satisfactory understanding on this point.

4. In view of the facts set forth in paragraph 1 above, the allotment to Guatemala should be made the maximum consistent with proper consideration for less favorable conditions in the other countries concerned. It is my understanding from my conversations with Mr. James that the present needs of the four other Central American States and Panama can be met with approximately \$500,000, and perhaps for considerably less if El Salvador should not desire our cooperation. In that event, I believe that the balance of the fund available for this form of cooperation can be utilized in Guatemala, as contemplated in the appropriation Act, with adequate cooperation by this Government, and that doing so would advance the main purpose of the project by opening the Highway between two capitals, and should stimulate greater interest in it in the other countries.

5. Any further conversations with this Government preliminary to a definite understanding, and initiation of actual work in Guatemala should not be delayed pending further negotiations with the other Central American Governments. In my opinion the assurances we now have from this Government are ample to justify our proceeding at once with the field work necessary for locating and making plans of bridges, preliminary to contracting for the bridge material and starting work here on the foundations and approaches for the bridges. It is not necessary, in my opinion, to make a specific allotment to Guatemala at this stage in our cooperation, or to specify how the allotment is to be apportioned between bridge material and machinery. On the contrary, it probably would be wiser in any case to delay making definite decisions on these points until after a preliminary study and report by a field force of American engineers. Finally, my conclusion is that we may now accept, in general, the terms on which this Government has formally agreed to cooperate and advise it that, with its concurrence, a field force of American engineers will make a preliminary survey which will form the basis for subsequent mutual agreement as to the amount to be allotted and the specific manner in which it is to be spent. The essential point now is to begin work in Guatemala with the least possible delay.

I had several conversations with Mr. Peck concerning the economic and financial phases of the Highway project to which, as the Department is aware, he has devoted several years of careful and enthusiastic study. After all, the really difficult and fundamental problem in connection with the Highway project is finding a practical way in which it can be financed. If the Central American countries through which it passes must construct it from their own resources, a generation or so may pass before some of them could possibly construct a modern highway through their respective territories. We should recognize at the outset the very clear fact that the Government of the United States must find a way to finance the project practically one hundred percent and with slight probability of any speedy direct return of the money spent, if the Highway is to be built in the near future (or if at all) and if we, through its wide-spread and diverse influences, are to reap the material and intangible benefits which will surely follow. While I do not know whether Mr. Peck shares my very positive views on this point, he has made, in any event, an intensive study of possible ways for the United States to cooperate financially; and finding some practical way to do this constitutes our principal problem in connection with this great project if we propose to see it through to a successful completion.

As reported in a previous despatch, Mr. James and Mr. Peck were treated with great courtesy by President Ubico, the Minister for Foreign Affairs, and the Minister of Agriculture, all of whom manifested a sincere desire to cooperate in the enterprise.

I hope the Department may find it convenient to furnish Mr. James and Mr. Peck each with a copy of this despatch.

Respectfully yours,

MATTHEW E. HANNA

810.154/801

Memorandum by the Secretary of State

[WASHINGTON,] August 13, 1935.

The Chargé d'Affaires of Nicaragua came in and said he desired to explain that it was nearly impossible for the projected international highway to be constructed along the coast through Nicaragua closely paralleling the Government-owned railway. He said that the Government was dependent on this railway for receipts and also in connection with the basis of its money, and that it would wreck the entire situation to a considerable extent to closely parallel this railroad with the proposed highway. He then pointed out on a map a proposed new route leading a considerable distance into the interior over more or

less mountainous localities and then back into the projected highway at the southern terminus of the railroad. This, he said, would be a substantially longer route and would cost more, but that the section it would pass through was more or less undeveloped and it would be very helpful in that respect. He said that he had discussed this situation with the U. S. engineers and other road officials and that they had now agreed to make a new survey over the proposed new route.

C[ORDELL] H[ULL]

810.154/797

*The Secretary of State to the Chargé in Guatemala (O'Donoghue)*³³

No. 223

WASHINGTON, September 3, 1935.

SIR: There is enclosed for your information a copy of a letter dated July 25, 1935,³⁴ from the Acting Secretary of Agriculture, regarding the conditions on which this Government proposes to cooperate with the other interested governments in constructing certain specified bridges along the route of the Inter American Highway. There is also enclosed a copy of the portion relating to Guatemala of the report, enclosed with the letter, regarding the results of conferences which Mr. E. W. James, Chief of the Division of Highway Transport of the Bureau of Public Roads, and diplomatic representatives of the United States, had during April and May of the present year with officials of the governments of the other interested countries regarding their desires with reference to the proposed cooperation between their governments and the Government of the United States in further work on the Inter American Highway. Those portions of the report are added which relate to, or are of interest to, all or several of those countries. Copies are also included of the communications mentioned in the enclosed portions of the report.

The President, to whom the letter from the Acting Secretary of Agriculture, together with all of its enclosures, was referred, has approved the recommended procedure.

There is appended hereto the text of a note which you are requested to address to the Government of Guatemala.

You are authorized also in your discretion to discuss informally with the appropriate Guatemalan authorities any of the statements contained in any of the enclosures with this instruction. Please inform them that Mr. James, identified above in this instruction and in the

³³ Similar instructions were sent to the American diplomatic representatives in Panama (No. 64), Costa Rica (No. 208), Nicaragua (No. 320), and Honduras (No. 16).

³⁴ Not printed.

attached proposed note, expects again to be in Guatemala City about the middle of September to initiate the work of the second of the two surveying parties mentioned in the first numbered paragraph in the latter part of the enclosed portion of his report. He will also be prepared to discuss with them the details of the proposed bridge construction.

Very truly yours,

For the Secretary of State:
WILBUR J. CARR

[Enclosure]

*Text of Note To Be Addressed to the Guatemalan Government*³⁵

EXCELLENCY: I have the honor to inform Your Excellency that my Government is prepared to cooperate with Your Excellency's Government in the construction of a bridge over the Tamazulapa River, on the conditions set forth below. This is a part of the program of bridge construction in the several interested countries that has been prepared in consequence of conferences which Mr. E. W. James, Chief of the Division of Highway Transport of the Bureau of Public Roads, and diplomatic representatives of the United States, had during April and May of the present year with officials of Your Excellency's Government, and the governments of the other interested countries, regarding their desires with reference to the proposed cooperation between their governments and that of the United States in further work on the Inter-American Highway.

The following are the proposed conditions of cooperation:

The United States will furnish surveys of bridge sites and make all needed borings; will furnish plans, specifications and estimates; all steel, or other fabricated material, whether used in the permanent structure or in any temporary auxiliary work; will furnish all mechanical equipment needed; will transport all materials and equipment furnished by the United States to the site of the work; will construct complete ready for traffic all the superstructure, either by day labor or by contract; will supervise all construction to completion; and will furnish all inspection and supervision when needed in connection with getting out materials furnished by Guatemala.

Guatemala will furnish all labor for getting out local materials, such as timber, sand, gravel, and stone, except, in agreed cases, those to be used by a contractor; will furnish all such local materials; will furnish all labor needed in constructing the foundations and substructures, and in removing falsework except steel sheet piling; will furnish all labor for cleaning up site and grading approaches for a distance sufficient to complete the stream crossing and make the struc-

³⁵ Similar notes were to be addressed to the Governments of Panama, Costa Rica, Nicaragua, and Honduras.

ture usable; and will provide transportation to the bridge site for all materials furnished by Guatemala, except, in agreed cases, those to be used by a contractor. Guatemala will furnish all rights of way needed and in connection with all transportation and construction, provide easements sufficient for needed operations, and will hold the United States harmless under local law for all employees liability obligations.

Both countries will endeavor to cooperate fully in the projected construction and will use their utmost combined efforts not to disturb labor conditions, and each, including any contractors employed, will pay to their respective personnel the customary and prevailing wage for the several classes of service rendered. Equipment needed on the project and furnished by the United States may be permanently allotted to Guatemala or removed as may be determined by the United States. Plans and specifications for substructures will be provided in both Spanish and English, if necessary. If a contract is let for the superstructure, the obligation to pay labor costs for producing and transporting needed local materials will in each case be a subject for separate agreement between the United States and Guatemala.

The foregoing are the conditions on which my Government proposes to cooperate not only with Your Excellency's Government but also with the governments of the other interested countries in similar work within their territories.

If the proposed procedure is acceptable to your Government, I would appreciate having you address to me a note in reply stating that fact. On receipt of your reply I shall be pleased to forward a copy of it to the Department of State of my Government. As soon as your statement that the proposed procedure is acceptable to your Government shall have reached the Department of State, the necessary steps will be taken to carry out the proposed bridge construction.

810.154/816

The Minister in Costa Rica (Sack) to the Secretary of State

[Extracts]

No. 864

SAN JOSÉ, September 23, 1935.

[Received September 28.]

SIR: I have the honor to enclose herewith copy and translation of a note³⁶ received from the Foreign Minister late on Saturday in reply to my Note No. 101 of September 16, 1935 which I was authorized to forward in the Department's Instruction No. 208 of September 3, 1935;³⁷ also a copy of an exchange of personal letters³⁶ between Foreign Minister Gurdíán and myself; and to make certain observations concerning the note of the Costa Rican Government.

³⁶ Not printed.

³⁷ See footnote 33, p. 260.

The note received on Saturday afternoon from the Costa Rican Government is not at all satisfactory to this Legation, for two reasons: In the first place, the United States Government in my Note No. 101 proposes certain conditions whereby it would cooperate with the Government of Costa Rica by way of assisting in completing some of the required work on the proposed Inter-American Highway, and my Government specifically requested that the Costa Rican Government state whether the "proposed procedure is acceptable".

The Foreign Minister, in his answer, does not undertake to say whether the proposal is acceptable, but instead says that after certain additional surveys are made, the whole proposal will then be submitted to the Congress. The identic language used is:

"When these studies have been carried out and the definitive route to be adopted has been decided upon, my Government, with the prior agreement of the Legislature, will express to Your Excellency's Government its acceptance of the conditions now proposed to carry out these constructions" (underscoring mine).

This means, according to the specific language of the note, that before the Government of Costa Rica will accept the generous offer of the United States Government to give to Costa Rica services and materials conservatively estimated by the Bureau of Public Roads to be in excess of \$100,000, the Costa Rican Congress will have to give its approval.

I feel warranted, therefore, in requesting the telegraphic authority of the Department to visit President Jiménez to discreetly voice my apprehensions over the possible consequence of his contemplated plan to submit the offer of the United States to Congress, and to tell him how much I will regret it if the motives of the United States Government are misunderstood by Congressmen to the extent that sharp anti-American sentiments will be aired. Personally, I feel that the United States Government in its generosity should not be allowed to be placed in a position where its motives will be questioned by politically-minded Congressmen.

While I of course realize that the Department would not wish to take any action which might be interpreted as an attempt to dictate the procedure to be followed by the Costa Rican Government in providing for the proposed cooperation with the Government of the United States, I feel it my duty to apprise the Department of the possible embarrassing consequences which I believe would occur if the question is submitted to Congress. Such a situation, I feel, might be avoided if I am authorized to hold the conversation with President Jiménez suggested in the preceding paragraph.

Respectfully yours,

LEO R. SACK

810.154/816 : Telegram

The Secretary of State to the Minister in Costa Rica (Sack)

WASHINGTON, October 4, 1935—3 p. m.

37. Your despatch 864, September 23. The Department does not consider that this Government should endeavor to dissuade the Costa Rican Government from taking the steps it believes it should take prior to accepting the assistance proffered by the United States.

HULL

810.154/836a

*The Secretary of State to the Chargé in Guatemala (O'Donoghue)*³⁸

No. 238

WASHINGTON, November 12, 1935.

SIR: A copy of your despatch dated October 4, 1935,³⁹ reporting the acceptance by the Government to which you are accredited of the proffered cooperation of this Government in the construction of a specified bridge on the route of the Inter-American Highway, was, on its receipt, promptly forwarded to the Bureau of Public Roads of the Department of Agriculture; and, as you were authorized in the Department's instruction of September 3, 1935, and an enclosure therewith, to say would be done, the necessary steps are now being taken to carry out the proposed bridge construction.

Since, when constructed, the bridge is to become the property of the Government of Guatemala, it is assumed that the materials, equipment and supplies to be used by this Government's representatives in its construction will be accorded, on entry into and in transit through the territory of that country, treatment no less favorable than that which is accorded to articles already belonging to the Government of the country. However, prior to the beginning of their shipment, assurance is desired regarding the treatment which will be accorded to such materials, equipment and supplies.

For example, assurance is desired that they will be exempted from the payment of customs duties, from all wharfage or lighterage charges and any other similar charges while on Government-owned wharfs or lighters, from any transit charges, national, provincial or municipal, should such charges exist, and from the payment of any freight charges when shipped on railroads or other carriers owned or operated by the Government. When the articles referred to are on

³⁸ A similar instruction was sent on the same date to the Minister in Honduras (No. 37) and the Chargé in Panama (No. 97). Satisfactory replies were made by Guatemala, December 5 (810.154/845, 850); Honduras, November 22 (810.154/843); and Panama, November 25 (810.154/844, 848).

³⁹ Not printed.

privately-owned wharfs, lighters or railways or other carriers, assurance is desired that only such charges will have to be paid as are paid on property handled for the Government.

In requesting the foregoing assurances, you are authorized to give assurance to the appropriate authorities that all such materials, equipment and supplies will be so marked that their destination and use will be easily recognizable and that none of them will be sold in the country but that when the work is finished all such articles not consumed in the construction of the bridge will either be presented to the Government or taken out of the country.

Assurance is also desired that all gasoline, oils, and greases for use in automobiles, trucks, hoists, powershovels and any other such equipment employed in work on the bridge, or other cooperative work on the highway, may be purchased at Government rates.

A similar instruction is being addressed to the diplomatic missions of this Government in the other interested countries which have indicated their acceptance of this Government's proffered cooperation in the bridge construction program on the route of the Inter-American Highway.

Very truly yours,

For the Secretary of State:
WILBUR J. CARR

ARGENTINA

PRELIMINARY DISCUSSIONS RESPECTING A TRADE AGREEMENT
BETWEEN THE UNITED STATES AND ARGENTINA¹

611.3531/305

*Memorandum by the Chief of the Division of Latin American
Affairs (Wilson)*

[WASHINGTON,] February 5, 1935.

The Argentine Ambassador telephoned me this morning and said that he understood that in the Brazilian trade agreement² the duty on processed mate had been reduced. He wanted to inquire whether the tariff concessions granted Brazil would be generalized to other nations whether or not such countries had an unconditional most-favored-nation treaty with the United States.

I told Dr. Espil that our trade agreements program was based on the principle of unconditional most-favored-nation treatment and that therefore the concessions which we granted in a trade agreement to the products of a certain country would as a general rule, in the absence of such special considerations as might be involved in discriminations against the United States, be extended to like products of other countries. Dr. Espil said that Argentina in her recent treaty with Great Britain³ had by decree generalized the concessions given to Great Britain to other countries regardless of whether or not such countries had an unconditional most-favored-nation treaty with Argentina. For instance, while the 1853 treaty between Argentina and the United States⁴ was of the conditional type, nevertheless the concessions given Great Britain had been generalized to the United States. I mentioned that a year or more ago there had been some question as to certain concessions which Argentina had given Germany; that I believed Argentina had not extended these concessions to the United States on the ground that the 1853 treaty was of the conditional type. However, I said that I had no hesitation in stating that my own view

¹ Continued from *Foreign Relations*, 1934, vol. iv, pp. 510-511.

² Signed February 2, 1935; for text, see Department of State Executive Agreement Series No. 82, or 49 Stat. 3808. For correspondence regarding negotiations see pp. 300 ff.

³ Roca-Runciman Treaty, signed at London, May 1, 1933, League of Nations Treaty Series, vol. cxliii, p. 68. The treaty was supplemented by a tariff agreement and protocol signed at Buenos Aires, September 26, 1933, *ibid.*, pp. 79 and 82.

⁴ Hunter Miller (ed.), *Treaties and Other International Acts of the United States of America*, vol. 6, p. 269.

was that under our trade agreements policy we would generalize to other states, in the absence of any discrimination, and hence to Argentina, such concessions as we had granted to Brazil. I said that, as the Ambassador wished to have an authoritative statement on this point to report to his Government, I would be glad to obtain a ruling in the Department and advise him.

EDWIN C. WILSON

611.3531/307

Memorandum by the Chief of the Division of Latin American Affairs (Wilson)

[WASHINGTON,] February 11, 1935.

I spoke with the Argentine Ambassador today and in response to his inquiry of February 5 said to him that we intend to generalize to Argentina the concessions granted Brazil under the recently concluded trade agreement. At the same time I pointed out that apparently certain minor discriminations still exist in connection with the Argentine-Chilean *modus vivendi* of 1932,⁵ whereunder concessions granted by Argentina to Chile were generalized to Great Britain, France and Italy but have not been generalized to the United States. I said that, as the Ambassador knows, we have our opponents in this country of the unconditional most-favored-nation policy in trade matters and it would be embarrassing to us if it could be alleged that we were generalizing concessions to a country which in certain cases was not generalizing to us; I said, therefore, that we very much hoped that if in fact these minor discriminations in relation to the Chilean *modus vivendi* still existed that they might be removed.

Dr. Espil said that he appreciated our attitude. At the same time he pointed out that the very important concessions under the Roca Agreement had been immediately generalized to the United States and said that the concessions under the Chilean *modus vivendi* were most unimportant, that there was some technical reason or other why they had not been generalized to us, that he did not know whether this situation still existed, and that in any case if it did exist he trusted it might be removed. Moreover, he said that as soon as we had a trade agreement with Argentina this would of course place the whole question on an unconditional most-favored-nation basis and he "very much hoped we might soon make the announcement of an intention to negotiate such agreement with Argentina." I said that I fully agreed and hoped that we might do so at the earliest practicable date.

EDWIN C. WILSON

⁵ The *modus vivendi* of November 12, 1932, was replaced by a reciprocity treaty of June 3, 1933. For *modus vivendi*, see Argentina, Ministerio de Relaciones Exteriores y Culto, *Memoria*, 1932-1933, vol. I, pp. 322-324; for treaty, see *ibid.*, 1933-1934, vol. I, pp. 1025-1030.

611.3531/346

Memorandum by Mr. Donald R. Heath of the Division of Latin American Affairs

[WASHINGTON,] May 3, 1935.

I lunched with Mr. Mata,⁶ who inquired whether a definite date had been announced for hearings for a trade agreement with Argentina. I told him that no date had as yet been set. He then asked how long it would take after the hearings began before a trade agreement could be negotiated. I told him there was no fixed period, but I had heard it said that the minimum time was probably around four months.

Mr. Mata went on to say that it was very important, both for Argentina and the United States, to conclude a trade agreement at this time. He said that next year the question of British Empire preferences would come up for revision and it was expected that the Dominions would ask for increasing preference for their meat products and it would then be necessary for Argentina to make a new agreement with Great Britain in order to preserve its best market for Argentine beef. He said that at that time influential public opinion in Argentina would be adverse to Argentina granting any important trade concessions to the United States because such concessions would inevitably be at the expense of British trade with Argentina and the meat and agricultural exporting interests in Argentina would then want to do everything to preserve British good will.

He then remarked on the bill before Congress to set up a protective program on domestic flax which he said would undoubtedly be at the expense of Argentine flax exports to the United States. He informed me that the Embassy was preparing a protest against this bill, and inquired whether the Department would forward the protest to Congress. I later informed him that any communication of that nature would be forwarded to the Chairman of the Congressional committee reporting on the bill.

Mr. Mata then discoursed further as to the necessity of a trade agreement, pointing out that, in return for concessions on flax, Argentina would make concessions insuring a great increase of such imports as American automobiles.

DONALD R. HEATH

⁶ Commercial Attaché of the Argentine Embassy.

REPRESENTATIONS TO THE ARGENTINE GOVERNMENT RESPECTING
SURCHARGE FOR IMPORTATION OF GOODS FOR WHICH OFFICIAL
EXCHANGE PERMITS HAD NOT BEEN ACCORDED

835.5151/415 : Telegram

*The Consul General at Buenos Aires (Warren) to the Secretary
of State*

BUENOS AIRES, April 14, 1935—noon.

[Received 7:35 p. m.]

Referring to reports entitled Argentine Financial Notes dated January 25, February 15 and March 22, 1935, the Argentine Minister for Finance on April 13 issued a decree putting into effect as from April 22 the 20 percent differential on purchases of exchange for imports for which official exchange is not available as established in Article 16 of law 12,160. This decree exempts from its operation imports from adjacent countries. Local opinion ascribes to this measure the character of discrimination against the United States in an effort to force the signature of a commercial treaty. Other opinion ascribes the desire to obtain larger governmental exchange profits to protect possible loss on sterling holdings abroad in the event of further depreciation of European or American monetary units. Bankers believe that imports will be reduced until the demand for exchange locally will be less than that available as a result of present heavy grain exports foreclosing eventual modification.

WARREN

835.5151/419 : Telegram

*The Consul General at Buenos Aires (Warren) to the Secretary
of State*

BUENOS AIRES, April 15, 1935—5 p. m.

[Received April 15—4:30 p. m.]

Referring to my telegram of April 14, noon. The increase in cost to importers without advance exchange permits according to the terms of the decree is computed as follows: the percent difference between the Banco Nación average rate for accepted bids for official exchange and its closing free selling rate on the previous day will be deducted from 20 percent. The percent difference will be applied as a surcharge on the c. i. f. value of imports.

WARREN

835.5151/419 : Telegram

The Secretary of State to the Chargé in Argentina (Cox)

WASHINGTON, April 16, 1935—7 p. m.

34. Please discuss with the Minister for Foreign Affairs and, in your discretion, with other appropriate Argentine officials, the decree reported in your telegram No. 26 of April 15, 11:00 a. m.¹

You may say that while this Government appreciates the general purposes of law No. 12160 under the authority of which the decree in question was issued, the decree contains elements of discrimination and will affect established American trade with Argentina. You may express the hope that the Argentine Government will reconsider the decree and request that, in any case, its enforcement be postponed for 60 days so as not to affect merchandise contracted for prior to the decree and in transit.

HULL

835.5151/419

The Department of State to the Argentine Embassy

MEMORANDUM

The Department is informed of the decree of the Argentine Minister for Finance of April 13, last, stipulating that from April 22 merchandise for which official exchange permits have not been accorded may be imported into Argentina only upon payment of a surcharge of twenty percent of its value, calculated at the official exchange rate.

While this Government appreciates the general purposes of Argentine Law No. 12160, under the authority of which it is understood the decree in question was issued, the decree will affect established American trade with Argentina. It is earnestly hoped, therefore, that the Argentine Government will reconsider its terms. In any event, this Government hopes that the Argentine Government will suspend the enforcement of the decree for a period of sixty days, so as not to affect merchandise contracted for prior to the decree and in transit.

WASHINGTON, April 17, 1935.

835.5151/424 : Telegram

The Chargé in Argentina (Cox) to the Secretary of State

BUENOS AIRES, April 17, 1935—1 p. m.

[Received 6:42 p. m.]

30. In the absence from Buenos Aires of the Minister for Foreign Affairs the Commercial Attaché and I saw the Under Secretary of

¹ Not printed.

Foreign Affairs this morning and conveyed to him verbally the contents of your 34, April 16, 7 p. m., which he is transmitting immediately to Ministry of Finance. Likewise we saw the official in charge of the Ministry of Finance being advised that the Minister and Under Secretary of Finance were absent over Easter holidays. This official stated that he would convey the substance of your telegram No. 34 to the Minister as soon as he could get in touch with him. I urged immediate consideration and expressed the hope that a reply could be given to the Embassy at the earliest possible date. Treasury official expressed doubt whether any action could be taken before next week on ground that the decree could be modified only by a Cabinet agreement. Government offices, including customhouse, will be closed for holidays from tonight until April 22nd. I understand that Association of Foreign Chambers of Commerce is sending a memorandum to the Ministry of Finance today protesting generally against the decree and petitioning for a reasonable delay in its enforcement.

Cox

835.5151/427 : Telegram*The Chargé in Argentina (Cox) to the Secretary of State*

BUENOS AIRES, April 22, 1935—3 p. m.

[Received 4 p. m.]

31. Embassy's 30, April 17, 1 p. m. On April 18 Ministry of Finance issued communiqué refusing appeal of Association of Foreign Chambers of Commerce. Immediately following this announcement I again stressed the importance of the matter with the Under Secretary of Foreign Affairs and my hope for a favorable reply as soon as possible. No reply so far received. Actual effect on American commerce not ascertainable until arrival of tomorrow's boat bringing first imports subject to decree. Am informed that American importers intend paying surcharge under protest.

Cox

835.5151/431 : Telegram*The Chargé in Argentina (Cox) to the Secretary of State*

BUENOS AIRES, April 23, 1935—5 p. m.

[Received 5:30 p. m.]

32. Embassy's 31, April 22, 3 p. m. Commercial Attaché reports that American goods which arrived today's boat were obliged to pay new tax and that payment under protest was not permitted. I anticipate no reply to Embassy's representations.

Cox

835.5151/431 : Telegram

The Secretary of State to the Chargé in Argentina (Cox)

WASHINGTON, April 25, 1935—11 a. m.

36. Your 32 of April 23, 5 p. m. Please say to the Argentine Minister of Foreign Affairs that the Department will appreciate an early reply to the requests concerning the new exchange decree which the Department's telegraphic instruction No. 34, of April 16, 7 p. m., instructed you to make.

HULL

835.5151/434 : Telegram

The Chargé in Argentina (Cox) to the Secretary of State

BUENOS AIRES, April 26, 1935—10 a. m.

[Received 11:40 a. m.]

33. I conveyed substance of Department's telegram No. 36, April 25, 11 a. m., to the Minister for Foreign Affairs yesterday evening at the same time leaving a memorandum with him outlining representations made. The Minister stated that he would endeavor at once to expedite a response from the Ministry of Finance.

Cox

835.5151/435 : Telegram

The Chargé in Argentina (Cox) to the Secretary of State

BUENOS AIRES, April 27, 1935—7 p. m.

[Received April 28—12:07 a. m.]

34. Embassy's 33 April 26, 10 a. m. I received today through the Under Secretary of the Ministry for Foreign Affairs a lengthy memorandum⁸ from the Exchange Control Board of the Ministry of Finance replying to the points raised in your 34 April 16, 7 p. m.

The substance of this memorandum is as follows:

1. With regard to the question of discrimination, reference is made to the system of previous import permits and to the fact that the 20 percent surcharge does not alter this system but has been created to stabilize the exchange rate in the free market.

2. With regard to a possible reconsideration of the decree in question this decree has been issued in accordance with Article 16 of law 12,160. Number 3. With regard to a 60-day postponement of the decree's enforcement, importer[s] have had ample notice of its coming into effect since law 12,160 was proposed January 17 and promulgated March 28.

Text of memorandum by air mail.

Cox

⁸ Not printed.

835.5151/431 Suppl. : Telegram

The Secretary of State to the Chargé in Argentina (Cox)

WASHINGTON, April 29, 1935—6 p. m.

37. Consulate General's telegram of April 17, 9 a. m.,⁹ and Department's telegram 36, April 25, 11 a. m. In any further discussions of the recent exchange decree which you may have with the Minister for Foreign Affairs, please inquire regarding the truth of the report that a surcharge of 20 percent will be added to all bids for Argentine Government contracts received from countries with which Argentina has an unfavorable trade balance. In case this report is founded, you may say that this Government hopes that American firms will have the opportunity to bid for Argentine Government contracts on equal terms with other foreign firms.

HULL

835.5151/467

The Chargé in Argentina (Cox) to the Secretary of State

No. 711

BUENOS AIRES, May 16, 1935.

[Received May 27.]

SIR: Referring to previous correspondence concerning the surcharge up to twenty per cent. on goods entering Argentina without previous permit, I saw the Minister for Foreign Affairs on May 9 and recalled to him the Embassy's representations on this subject. Dr. Saavedra Lamas pointed to the impossibility from a political point of view of rescinding Government Decree No. 59118 and to precedents from other countries for the imposition without extended notice of new customs taxes. He referred to his friendship with Secretary Hull which he said prompted him to do what he could on this matter, and then suggested that I see Dr. Brebbia, the Under Secretary of Finance, with whom he had discussed the Embassy's representations and who might be able to make some suggestions.

On May 13 the Commercial Attaché and I visited Dr. Brebbia. The latter stated to us that although Dr. Saavedra Lamas had spoken to him, there was nothing he could so [*do?*] in the matter and suggested that we see Dr. Pinedo, the Minister of Finance. I told Dr. Brebbia that we had already made efforts, without success, to see Dr. Pinedo shortly before the surcharge decree was put into effect, but that if he felt a discussion with the Minister of Finance would be helpful we would be glad to visit him.

In passing, Dr. Brebbia inquired whether the Commercial Attaché and I came to discuss any other subject and whether we had any in-

⁹ Not printed.

formation concerning the developments in the matter of the Argentine-United States trade treaty,¹⁰ to which we gave a negative reply.

Consequently, Dr. Brebbia arranged an appointment with the Minister of Finance for May 14, shortly before the meeting of the Chaco mediating group. Dr. Dye accompanied me. I enclose a memorandum¹¹ prepared by the Commercial Attaché of our conversation with Dr. Pinedo.

The upshot of the meeting with the Minister of Finance was that upon the return from Chile of Dr. Gagneux, the head of the Exchange Control Office, the Minister of Finance, Dr. Gagneux and the Commercial Attaché would meet to reconsider the question of the value of Argentine exports to the United States, the dollar f. o. b. values of which since January 1, 1935, as declared before the American Consul General, are far in excess of the amounts credited by the Statistical Bureau here.

Respectfully yours,

RAYMOND E. COX

835.5151/481

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

No. 736

BUENOS AIRES, June 6, 1935.

[Received June 17.]

SIR: Reference is made to my despatch No. 692 of May 3, 1935,¹² reporting the Embassy's inquiry, in compliance with the Department's telegram No. 37 of April 29, 6 p. m., 1935, of the Under Secretary for Foreign Affairs as to whether there was any foundation for the current report that a surcharge of twenty per cent. would be added to all bids for Argentine Government contracts received from countries with which Argentina had an unfavorable trade balance.

The Under Secretary has now handed me as a reply to this inquiry a memorandum from the Exchange Control Office. A translation of this memorandum is enclosed herewith.¹³

Quoting from decrees No. 46848 and No. 56197 dealing with the purchase of goods from abroad for Government Departments, the memorandum states in part as follows:

"... in order to compare, with a view to placing the order, the different bids made in foreign currencies, such bids shall be reduced to national currency at the average rate of exchange of proposals accepted on the previous working day by the Exchange Control Office. This (provision applies) when such goods, *under regulations in force*, are subject to previous exchange permits; for other goods, the free market rate shall be applied."

¹⁰ See pp. 266 ff.

¹¹ Not printed.

The "regulations in force" place in the hands of the Exchange Control Office the right to determine whether the official or the open market rate shall be applied to cover goods for Government contracts.

Respectfully yours,

ALEXANDER W. WEDDELL

835.5151/489

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

No. 765

BUENOS AIRES, June 27, 1935.

[Received July 8.]

SIR: I have the honor to refer, amongst other correspondence, to the Embassy's despatch No. 711 of May 16, 1935, reporting an interview Mr. Cox and Dr. Dye, the Embassy's Commercial Attaché, had with Dr. Pinedo, the Argentine Minister of Finance, on the subject of the surcharge up to twenty per cent. on goods entering Argentina without prior permit. The upshot of this conversation was that Dr. Pinedo agreed to a meeting between Dr. Gagneux, head of the Exchange Control Office, and Dr. Dye, to reconsider the question of the value of Argentine exports to the United States, the dollar f. o. b. values of which since January 1, 1935, as declared before the American Consul General, are far in excess of the amounts credited by the Statistical Bureau here.

Several times since that occasion efforts have been made with Dr. Gagneux to obtain a definite appointment for this discussion but without success, various excuses being offered that the Ministry of Finance was preoccupied with a study of these figures, with the organization of the Central Bank, and lastly, with the Senate debate on the operation of the meat-packing houses with which the Exchange Control Office has become involved.

However, Mr. Lansing Wilcox, President of the United States Chamber of Commerce in Argentina, saw the Minister of Finance on this subject. I enclose a copy of a memorandum¹² of his conversation with Dr. Pinedo, in which, the Department will note, the Minister intimated that better treatment might be accorded American goods if the figures of recent Argentine exports to the United States as declared before the Consul General were found to be correct.

Accordingly, I instructed Dr. Dye actively to press Dr. Pinedo for the appointment agreed to, to ascertain the cause of the discrepancy between the statistics of Argentine exports to the United States with a view to receiving more liberal treatment for United States goods entering this country. As a matter of record, I enclose a copy of Dr. Dye's letter to Dr. Pinedo, dated June 25,¹² together with English translation.

Respectfully yours,

ALEXANDER W. WEDDELL

¹² Not printed.

611.3531/352

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

No. 833

BUENOS AIRES, August 16, 1935.

[Received August 26.]

SIR: Referring to the Embassy's despatch No. 780 of July 5,¹⁴ I enclose copies of a report dated August 16, 1935, prepared by the Embassy's Commercial Attaché, giving an account of his recent meetings with officials of the Argentine Ministry of Finance to establish the cause of the discrepancy existing between the statistics of Argentine exports to the United States issued by that Ministry and the returns declared before the American Consulate General in Buenos Aires. Dr. Dye is hopeful that if proof can be given that the value of Argentine goods entering the United States since January 1, 1935, is in excess of the value of American goods entering Argentina, the Argentine authorities will give more liberal exchange facilities to cover imports of American goods into Argentina.

Respectfully yours,

For the Ambassador:

RAYMOND E. COX

First Secretary of Embassy

[Enclosure]

Special Report 316-C by the Commercial Attaché in Argentina (Dye)

BUENOS AIRES, August 16, 1935.

Since the early part of this year, a discrepancy has been noticed between the statistics of Argentine exports to the United States compiled from consular invoices which have been certified in the Consulate General and the Argentine official export statistics. This discrepancy increased as the year advanced and for the first six months the declared value of Argentine exports as stated in consular invoices sworn to before the American Consulate General amounted to the equivalent of about 126 million paper pesos, whereas according to Argentine official statistics they amounted to only about 86 million paper pesos, the discrepancy being approximately 40 million paper pesos.

A number of conferences was held by the Commercial Attaché with the Director General of Statistics and the Assistant Director of the Exchange Control Office, and detailed information was prepared by the Consulate General, showing the basis on which shipments of corn, wheat, rye and oats were made to the United States. The result of the conferences has been as follows:

Between seven and eight million pesos were accounted for by the fact that cereals were sold in advance at a higher price than the price

¹⁴ Not printed.

prevailing at the time shipment was actually made. For instance, the value given by the exporters of shipments to the United States of corn in January amounts to an average of \$7.33 paper pesos per 100 kilos, whereas the average of current prices for corn for export in Buenos Aires during the month of January was only \$5.95 paper pesos, showing a difference of about 21 percent. The explanation was that the corn which was actually shipped in January, 1935, was sold in September, 1934, at a price which was higher than the price at the time of the actual shipment. Inasmuch as the value given in the declaration before the American Consulate was the real value, our claim is that that amount of exchange should have been allocated to American interests. The Exchange Control Office has admitted the justice of this claim.

The result of the investigation of the cereal shipments has shown that the largest discrepancy is in the tonnage. For instance, in the month of May, according to the Consulate's figures, 181,000 tons of corn were shipped to the United States, whereas according to the Argentine Statistical Office only 40,000 tons were shipped. However, in checking back shipment by shipment, it shows that in the month of May, according to the Argentine statistics, out of 181,423 tons, which the Consulate General claims were shipped to the United States, 148,950 tons, or 82 per cent, was declared before the Argentine authorities as shipped "To Order". Shipments "to order" have ninety days before they must report the country of destination and exchange is provided. As the bulk of the exports of cereals to the United States was shipped after the 1st of April and, therefore, they will have ninety days from that date, they will not have to report the shipments until in the middle of July and thus will not appear in the statistics until these are out for the month of August. I have been assured by the Exchange Control Office that when this tonnage is eventually allocated, that the exchange will also be allocated and given to American interests at the official rate. We shall, therefore, have to watch the statistics carefully, particularly from September 1st onward.

An investigation of the shipments of rye showed that the Consulate General had received consular invoices declaring that a total of 44,208 tons of rye had been shipped to the United States. According to the Argentine figures, however, all of this amount went to Canada to the Port of Montreal. It is the belief of the Consulate General that this rye actually entered the United States and a telegram has now been sent by the Consulate General, giving the names of the six boats and requesting information as to whether this rye was actually landed in the United States. As soon as a reply is received, the Argentine Statistical Office and the Exchange Control Office will be advised.

The Argentine authorities brought up the point as to whether there were not two consular certificates taken out for this rye: one for

Canada and one for the United States, but the American Consulate General assures me that this is not the case; that Montreal is a free port and that, consequently, it was not necessary to take out any Canadian consular invoices.

During all of this discussion, we have not taken the position that it was satisfactory to accept only the exchange which was provided by exports to the United States, but efforts were made to show that even on that basis, the American interests were not receiving the exchange which the Argentine Government declared it was willing to give them, due to the discrepancy in statistics. If our position is correct (and we believe it is), that these cereals eventually reached the United States and were actually imported, it should provide us with about 40 million pesos additional exchange which should be cumulative during the latter part of the year, and which should assist imports from the United States to that extent.

Respectfully submitted:

ALEXANDER V. DYE

611.3531/357

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

No. 897

BUENOS AIRES, September 27, 1935.

[Received October 7.]

SIR: I have the honor to refer to the Embassy's telegram No. 187 of August 22, 12 noon, 1935,¹⁶ and to its previous correspondence regarding the conversations which on the Embassy's initiative the Commercial Attaché of the Embassy has been undertaking with officials of the Argentine Ministry of Finance to establish the cause of the discrepancy existing between the statistics of Argentine exports to the United States issued by that Ministry which since January 1, 1935, show a lesser value than the returns for the same period declared before the American Consulate General in Buenos Aires.

These negotiations were held up pending the receipt of information from the Department whether certain Argentine shipments of rye which were declared before the Consulate General but not shown in the Argentine statistics, actually entered the United States for consumption. Information having finally been received that five of the six rye shipments in question did so enter, Dr. Dye is again endeavoring to resume his discussions with the Argentine Ministry of Finance, pointing out that in this particular case the Argentine statistics were incorrect and that as a result an additional allotment of exchange is due American interests.

I enclose a copy of Special Report No. 332-C, dated September 25, prepared by the Commercial Attaché on this subject, together with

¹⁶ Not printed.

its enclosures, copies of his letters dated September 24 and September 19,¹⁷ to the Director of the Exchange Control Office and the Director General of Statistics, respectively, to which I trust the officials of the Department handling these problems in connection with the United States and Argentina will give their careful attention.

Dr. Dye's report is self-explanatory. The only comment which need be added is that it is highly unfortunate that under the present Argentine exchange control system, wherein official exchange is allotted to American interests only in proportion to American purchases from Argentina, American commerce with this country should be more or less penalized through the application of a set of export and import statistics which, while compiled and published officially here, have already been shown to be inexact.

I am, of course, hopeful that the Ministry of Finance will correct the error in this particular instance and give American importers an exchange allowance to make up for the difference. At the same time it is not unlikely that further researches, involving time and undue labor, would disclose other statistical errors as might be expected when different bookkeeping methods and calculations are practised. As Dr. Dye points out, one of the difficulties involved is the identity of Argentine exports shipped "To Order" whose ultimate destination cannot be ascertained until after a lapse of three months.

While the case will be presented to the Argentine authorities to the best of the Embassy's ability, I am sure the Department is aware that like all Latin Americans the Argentines are expert in evading an issue by indulging in involved academic discussions capable of being indefinitely prolonged.

In dealings of this character it is to be observed that in Argentina there are two methods of getting things done—one, by personal influence as between friends, and the other, by presenting arguments which, although not necessarily retaliatory, are nevertheless of so persuasive a nature that they get results. While the Embassy is doing all that it can along the line of the first method, it has, I think the Department will agree, very little if any material corresponding to the second method at its disposal. Furthermore, as has been often reported by this Embassy, the Argentine Ministry of Finance, which with the Ministry of Agriculture runs the financial-economic administration of this Government along dictatorial lines, wants a trade treaty with the United States and is unquestionably using what pressure it can bring by its system of exchange control to obtain this end, at the same time favoring British imports, to our disadvantage, looking towards a renewal of the Roca-Runciman Trade Agreement with Great Britain.¹⁸ The Ministry of Finance is aggrieved at the credit

¹⁷ None printed.

¹⁸ See *Foreign Relations*, 1933, vol. iv, pp. 722 ff.
877401—53—24

rating given Argentina in the United States as revealed in stock exchange quotations, which in its opinion is unjustifiably holding up the conversion of Argentine loans contracted for in the United States. (The Department will not overlook the fact that had not the American market in past years absorbed large issues of Argentine bonds, our present exchange difficulties might not have arisen or else been considerably modified. The situation illustrates admirably how foreign loans floated in the United States may redound to the distinct disadvantage of American manufacturers and exporters.) Another cause of dissatisfaction is the restrictions against Argentine meat, steps for the removal of which the Administration is now taking in the Sanitary Convention with Argentina recently signed in Washington.¹⁹

These specific items of reproach towards the treatment the United States gives Argentina do not help the Embassy's discussions with the Finance Ministry here on matters such as the present case of exchange restrictions which is now under discussion with the Ministry of Finance.

I should be grateful therefore for any views or comments the Department might give me (if there be any) to aid in bringing these discussions to a successful conclusion.

Respectfully yours,

ALEXANDER W. WEDDELL

EFFORTS TO SECURE EQUITABLE TREATMENT FOR AMERICAN CREDITORS IN THE SERVICING OF PROVINCE OF BUENOS AIRES BONDS

835.51B861/99

The Executive Vice President and Secretary of the Foreign Bondholders Protective Council, Inc. (White) to the Secretary of State

NEW YORK, July 18, 1935.

[Received July 19.]

SIR: Mr. Luis Lariviere, representing the Province of Buenos Aires, has recently discussed the default of that Province on its dollar bonds. He submitted to the Council a tentative proposal with respect to this default. Copies of this proposal were sent by the Council some days ago to Mr. McGurk.²⁰

The Council has just received a copy of the confidential offer made by the Province of Buenos Aires in London to the holders of the sterling bonds of that Province. The proposal to the British holders, like the one to the American holders, provides that certain revenues of the Province which will be collected by the Federal Government under

¹⁹ *Post*, p. 296.

²⁰ Joseph F. McGurk, Assistant Chief of the Division of Latin American Affairs.

the Federal Law for the Unification of Internal Taxes, passed December 21, 1934, will be allocated to the service of the outstanding loans of the Province.

In the offer to the British, however, it is proposed that the 3 to 3½% Loan of 1906/09 will receive the first charge on such revenues; that the 5% Consolidation Gold Loan (sterling) of 1915 will receive the second charge on such revenues; and that "there will be a third charge in favor *pari passu* of all the other European loans (with the exception of the 4½% Banco de la Provincia Loan of 1910 which is separately secured on the dividends of the Banco de la Provincia) and of the United States Dollar Loans".

The Council feels that there is no justification for this discrimination against the dollar bondholders. The dollar bonds were issued on the faith and credit of the Province and are just as much an obligation of the Province as its sterling and other loans. Furthermore, under the plan new security is being offered to the bondholders for the service on their bonds, namely, revenues to be collected by the Federal Government. The Council feels that the only fair and equitable way to deal with the matter is to allocate such revenues in equal proportion for the service of all the outstanding obligations of the Province.

The Council has cabled to the Minister of Finance of the Province of Buenos Aires and to the Minister of Finance of the Republic of Argentina regarding the matter, and I have the honor to enclose herewith copies of these cables.²¹

I have the honor to bespeak the good offices of the Department on behalf of the holders of the dollar bonds of the Province of Buenos Aires in order that no discrimination may be practiced against them.

I have [etc.]

WHITE

835.51B861/100 : Telegram

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

WASHINGTON, July 24, 1935—6 p. m.

109. The Foreign Bondholders Protective Council has complained to this Department, and has sent a telegram of protest to the "Finance Ministers of Argentina and of the Province of Buenos Aires", that the proposed settlement of the Province's external sterling bonds is more favorable than the settlement with respect to dollar bonds recently proposed to the Council. According to the Council, the British 3 to 3½ percent loan of 1906–1909 and the sterling 5 percent consolidation

²¹ Not printed.

loan of 1915 will receive, respectively, a first and second charge on certain revenues of the Province which will be collected by the Federal Government under the law for unification of internal taxes; whereas other European loans (with the exception of the 4½ percent loan of 1910, which is separately secured on dividends of the Banco de la Provincia) and United States dollar loans will constitute only a third charge on such revenues.

Please make appropriate inquiries and if your investigation discloses that dollar issues of the Province are being discriminated against, you are authorized to take up the matter with the Foreign Office and request that the discrimination be removed.

PHILLIPS

835.51B861/101 : Telegram

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

BUENOS AIRES, July 30, 1935—4 p. m.
[Received 4:55 p. m.]

158. Referring to Department's telegram No. 109, July 24, 6 p. m., local representative of Bemberg and Company, who are intermediaries in loan matter, advises the Embassy that he understands that complaint of discrimination by the Foreign Bondholders Protective Council has been withdrawn and that negotiations are continuing directly between the interested parties. Please reply by telegraph if further action is desired.

WEDDELL

835.51B861/102 : Telegram

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

WASHINGTON, August 2, 1935—1 p. m.

112. Your 158, July 30, 4 p. m. The Foreign Bondholders Protective Council advises that it has not withdrawn its complaint of discrimination. It states that the consumption tax of the Province of Buenos Aires was specifically pledged to the service of dollar bonds and that under the proposed conversion of the external debt of the Province this source of revenue would be pledged first to the service of sterling bonds and dollar bonds subordinated to a second charge on the receipts from this tax.

If your further investigation discloses that dollar issues of the Province are being discriminated against, you are authorized to take up the matter with the Foreign Office and request that this discrimination be removed.

PHILLIPS

835.51B861/104 : Telegram

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

BUENOS AIRES, August 9, 1935—3 p. m.

[Received 6 : 10 p. m.]

167. Referring to Department's telegram No. 112, August 2, 1 p. m., Doctor Dye²² has made an exhaustive study of this subject which goes forward by air mail today.²³ Because of its complexity and length I am not telegraphing it. However, Doctor Dye draws attention to the following points:

He does not consider the offer made to dollar bondholders equitable but thinks it could be made so by the Province, consequently discrimination cannot now be definitely claimed unless the Province rigidly maintains its present position. An examination of the text of the several bond issues strongly indicates that a first lien on the consumption tax was given to the sterling 5 percent bonds of 1915 and also to the 7½ percent dollar bonds of 1925. It also appears that by adhering on January 31, 1945 [1935], to the national unification law number 12,139 the Province annulled the provincial law which created the consumption tax thereby extinguishing revenues which were pledged to service on dollar bonds. Legal counsel for the Province informally plead necessity of a public order for this action.

The Commercial Attaché is continuing discussions with financial representatives of the provincial government and their legal counsel.

In the circumstances I have not yet brought the matter to the notice of the Foreign Office.

WEDDELL

835.51B861/105 : Telegram

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

BUENOS AIRES, August 12, 1935—5 p. m.

[Received 5 : 44 p. m.]

170. Referring to my telegram No. 167, August 9, 3 p. m., Dr. Dye has just talked with legal counsel for the Province of Buenos Aires who asserts that in his opinion there is legal justification for the present attitude of the Province in the matter of the proposal made to the American Bondholders adding that this offer is satisfactory to the New York bankers but unsatisfactory to the Foreign Bondholders Protective Council.

This lawyer also stated confidentially to Dr. Dye that the contents of a telegram addressed by the American Bondholders Protective

²² Alexander V. Dye, Commercial Attaché.

²³ Not printed.

Council on the subject in question to the British Bondholders Committee was made known to the Minister of Finance of the Province of Buenos Aires who considers its language highly offensive and is incensed over it.

Dr. Dye feels that there is still a possibility that the Province of Buenos Aires may offer better terms and is continuing to urge on the authorities of the Province an improvement of their offer.

WEDDELL

835.51B861/108 : Telegram

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

BUENOS AIRES, August 17, 1935—11 a. m.

[Received 2:30 p. m.]

182. Embassy's 170, August 12, 5 p. m. Representative of Bemberg and Company, intermediaries for the Province of Buenos Aires in the debt settlement matter, advise by cables that the Minister of Finance of the Province has improved his offer to the American bondholders following Dye's conversations with legal counsel of Province. Suggest that inquiry be made of Foreign Bondholders Protective Council whether negotiations are proceeding satisfactorily or whether further action by Embassy desired.

WEDDELL

835.51B861/116 : Telegram

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

WASHINGTON, August 23, 1935—11 a. m.

118. Your 182, August 17, 11 a. m. The Council has requested further data from the Province in regard to latter's new offer. Council states it learns from strictly confidential source that the provincial government urgently desires to have foreign debt plan approved by the provincial legislature before latter adjourns in about 10 days' time, and Council fears there is some danger of precipitate action being taken by the provincial authorities. Council of course desires to expedite settlement but fears the provincial government may take unilateral action before full opportunity afforded for negotiating. Please have Dye continue to keep in touch with situation and if it appears there is likelihood of debt legislation being precipitated before agreement reached with Council, you are authorized to discuss informally with appropriate authorities the view of the Council as representing American bondholders that no unilateral action should be taken pending opportunity for full discussion.

For your confidential information and with reference to your telegram 170, August 12, 5 p. m., the Department has been reliably informed that the former offer was not satisfactory to the bankers.

HULL

835.51B861/118 : Telegram

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

BUENOS AIRES, August 27, 1935—3 p. m.

[Received 7:11 p. m.]

190. Department's 118, August 23, 11 a. m. As Provincial Legislature last June gave Executive authorities of Province full financial authority to refund entire public debt no further debt legislation is necessary. For political effects in view of elections next November in the Province the Provincial Executive desires to report a successful refunding of public debt prior to adjournment of Provincial Legislature, the exact date of which is uncertain. I understand the latest offer of Provincial Minister of Finance to American bondholders to be as follows: 4, 4 $\frac{1}{4}$, 4 $\frac{1}{2}$, and 4 $\frac{3}{4}$ interest on 6, 6 $\frac{1}{2}$, 7, and 7 $\frac{1}{2}$ percent bonds respectively with $\frac{3}{4}$ percent sinking fund starting 1939. Bernberg's [Bemberg] representative also advises that Bondholders Protective Council would recommend the acceptance of interest rates averaging one percent more on all bonds than Minister's offer given above. Therefore the difference between the two parties amounts essentially to about \$700,000 interest per annum. Dye has arranged an informal meeting with Provincial Minister of Finance tomorrow to discuss question. He will emphasize the importance of continuing negotiations and of avoiding any unilateral decision. Bernberg [Bemberg] believes that in case his final offer not accepted by the Council the Minister of Finance will make a direct offer to the bondholders through an independent bank. Present agricultural outlook not satisfactory and unless rain comes in Spring the Province may have a difficult time meeting its obligations. Embassy will cable further following tomorrow's conference.

WEDDELL

835.51B861/118a : Telegram

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

WASHINGTON, August 27, 1935—6 p. m.

121. For your information. Foreign Bondholders Protective Council advises that it has informed the representative of the Province of Buenos Aires that while it cannot recommend to the bondholders acceptance of the latest offer of the Province, nevertheless, it would

recommend acceptance of an offer to the American bondholders substantially the same as the offer to the British bondholders, namely, an offer comprising a cut of about 35 per cent in total service, interest and sinking fund, the sinking fund being resumed in full in 3 years.

HULL

835.51B861/119 : Telegram

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

BUENOS AIRES, August 28, 1935—4 p. m.

[Received 6:15 p. m.]

192. Embassy's telegram 190, August 27, 3 p. m. Provincial Minister of Finance has postponed today's meeting with Dye until tomorrow alleging urgent business at La Plata. Bemberg representative states that Minister feels he could not make the offer suggested by the Foreign Bondholders Protective Council.

Embassy has been informed that Bemberg's representative in New York cabled Bemberg here August 23 recommending that Minister of Finance of Province cable to Bondholders Council as follows:

"Regret to advise you that suggestions as to service dollar bonds do not furnish basis for further discussion."

He recommends that after sending such cable Minister of Finance follow one of two courses: first, to stand on present position and to ask respective fiscal agents whether they are prepared to act as fiscal agents on basis of Province's last offer, or, second, make final offer. He recommends the second course. This offer could be communicated confidentially to him to permit ascertaining on what new base he can obtain the acceptance of the Council and fiscal agents, or if the Province is prepared to make final counter offer and stand on it whether or not acceptable to Council, then suggests new final offer be sent direct to Council. If latter procedure followed he recommends that offer would be more likely of acceptance if amortization begins only after 6 years as in British plan and that saving thus effected be added to the interest possibly thereby permitting 4½% for 6 and 6½% loans and 4¾% for 7 and 7½% loans, possibly amortization on 7½% loan could be made 1%, other loans remaining at ¾%. He states that it is not necessary to include sterling optional payment as this charge was not included in his last offer nor disclosed to Council.

In view of delay in Dye's meetings with Provincial Minister of Finance, Embassy is taking up matter this afternoon with Foreign Office pointing out views of Council as in discrimination against American bondholders in favor of other creditors and stressing desirability of avoiding any unilateral action on the part of Provincial authorities.

WEDDELL

835.51B861/121 : Telegram

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

BUENOS AIRES, August 29, 1935—5 p. m.

[Received 7:05 p. m.]

193. Embassy's 192, August 28, 4 p. m. Dye reports that Minister of Finance of Province has again canceled appointment with him.

In addition to informal discussion Embassy yesterday handed to the Under Secretary for Foreign Affairs a letter outlining the case and presenting the Council's viewpoint as indicated in last sentence of my 192. Under Secretary stated that after he had studied the question he would advise me further.

WEDDELL

835.51B861/128

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

No. 853

BUENOS AIRES, August 29, 1935.

[Received September 9.]

SIR: Supplementing the Embassy's telegram No. 192 of August 28, 4 p. m., I have the honor to enclose, as a matter of record, a copy of a letter which by my direction the First Secretary of the Embassy handed the Under Secretary of Foreign Affairs on August 28, regarding the negotiations between the Minister of Finance of the Province of Buenos Aires and the Foreign Bondholders Protective Council for refunding the American debt to that Province. Dr. Ibarra García is temporarily in charge of the Foreign Office, the Minister of Foreign Affairs having left Buenos Aires for the country for a ten days' holiday.

In an informal conversation with Dr. Ibarra García Mr. Cox pointed out the viewpoint of the Foreign Bondholders Protective Council that the offers so far made by the Provincial Minister of Finance to the American bondholders did not appear to be as liberal and equitable as that made to the other creditors of the Province, that the Council desired to be helpful and only awaited an offer from the Minister of Finance which it could recommend to the bondholders for their acceptance, and that pending the reaching of such an agreement, it was most desirable that no unilateral action be taken by the Province's financial authorities. Dr. Ibarra García promised to give the matter his prompt attention and, after consulting with his advisers in the Foreign Office, to see what might be done.

Mr. Cox also told the Under Secretary of the informal meeting which the Embassy's Commercial Attaché had arranged with the Province's Minister of Finance but which had been postponed by the latter.

There is also enclosed a copy of a telegram ²⁴ dated August 23 which Señor Lariviere, who is negotiating in New York with the Foreign Bondholders Protective Council, sent to his principals, Bemberg y Compañía, banking intermediaries acting for the Province. A copy of this telegram was obtained by the Embassy's Commercial Attaché from Bemberg y Compañía and should be considered confidential.

Respectfully yours,

For the Ambassador:
RAYMOND E. COX

[Enclosure]

*The First Secretary of the American Embassy (Cox) to the Argentine
Sub-Secretary of Foreign Affairs (Ibarra García)*

BUENOS AIRES, August 27, 1935.

MY DEAR DR. IBARRA GARCÍA: You will remember that yesterday when I spoke to you regarding the proposal of the Minister of Finance of the Province of Buenos Aires to the American bondholders for refunding the Province's external debt held in the United States, you suggested that I give you a memorandum with a full explanation of this rather involved matter.

Recently the Executive Authority of the Province of Buenos Aires was authorized by the Provincial Legislature to negotiate with the bondholders a refunding of the Province's public debt. Proposals were made to the American holders of the dollar bonds of that Province as well as to the British holders of the sterling bonds. The proposal to the British holders, like the one to the American holders, provides that certain revenues of the Province which will be collected by the Federal Government under the federal law for the unification of internal taxes, passed in December last year, will be allocated to the service of the outstanding loans of the Province. Mr. Luis Lariviere, representing the Province of Buenos Aires, is now in the United States discussing the matter on behalf of the Province's banking representative with the American Bankers and the Foreign Bondholders Protective Council, Incorporated.

In the offer to the British holders it is proposed that the 3 to 3½% loan of 1906-1909 will receive the first charge on the revenues above mentioned; that the 5% consolidation gold loan (sterling) of 1915 will receive the second charge on such revenues; and that there will be a third charge in favor *pari passu* of all the other European loans (with the exception of the 4½% Banco de la Provincia loan of 1910, which is separately secured on the dividends of the Banco de la Provincia) and of the American dollar loans.

²⁴ Not printed.

It is believed by the Foreign Bondholders Protective Council that there is no justification for according the American bonds only a third charge on these revenues, whereas the British loans are offered a first or second charge thereon, and that this proposal amounts to a discrimination against the dollar bondholders. The dollar bonds, it points out, were issued on the faith and credit of the Province and are just as much an obligation of the Province as are sterling and other loans, and that furthermore certain dollar bonds had a first lien on the consumption taxes. The Council feels the only fair way to deal with the matter is to allocate such revenues in equal proportions for the service of all the outstanding obligations of the Province.

In the matter of the interest proposed, telegrams are being exchanged between the Foreign Bondholders Protective Council and the Minister of Finance of the Province of Buenos Aires, and I understand the Minister has slightly improved his initial offer to the American bondholders with a graduated scale of interest. I understand, however, that the offer is not yet considered by the Council as equal proportionately to that offered to the British bondholders.

In the matter of amortization, I believe there has as yet been no agreement. As long as the negotiations between the Minister of Finance of the Province and the American bondholders are kept open, it is to be hoped that a final agreement satisfactory to both parties will be reached. The Foreign Bondholders Protective Council desires to be as helpful to the Province as it can, realizing the desire of the provincial authorities to reach a satisfactory refunding of its external debt. At the same time, the Foreign Bondholders Protective Council's duty is to protect the just interests of American bondholders, and it could not recommend the acceptance of a proposal to the bondholders while in its view the latter were not receiving equal treatment with other creditors of the Province.

I think you will agree that it is desirable that no unilateral action should be taken by the Province which would serve to terminate the discussions but that the negotiations should be continued until an agreement is reached satisfactory to both the Province and the Bondholders Protective Council.

As you can see from the above, the Council, which represents the American bondholders, is only asking for equitable treatment. It is believed that it would recommend to the American bondholders the acceptance of a proposal substantially the same as that made to the holders of the sterling bonds, that is to say, an offer which would comprise a cut of about 35% in the total service, interest and sinking fund, the full service of the sinking fund to be resumed after three years.

Yours very sincerely,

RAYMOND E. COX

835.51B861/127 : Telegram

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

BUENOS AIRES, September 9, 1935—6 p. m.

[Received 7:45 p. m.]

199. Embassy's 193, August 29, 5 p. m. Banking representatives of Province advise that negotiations are still continuing although at the moment slowly, due partly to preoccupation of Provincial Minister of Finance, now Acting Governor, with other matters.

While at Rosario de la Frontera, I handed the Minister for Foreign Affairs a copy of the Embassy's letter dated August 27 to the Under Secretary for Foreign Affairs. I urged on him that while discussions were going on the provincial authorities should take no unilateral action. Saavedra Lamas stated that he felt that this attitude was eminently just and that, upon his return to Buenos Aires during the present week, he would take up the matter with President Justo. He said he hoped that nothing on the subject would get into the newspapers as it would do harm.

WEDDELL

835.51B861/131 : Telegram

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

BUENOS AIRES, September 14, 1935—noon.

[Received 1:45 p. m.]

203. Embassy's 199, September 9, 6 p. m. Minister for Foreign Affairs advises that he will not return to Buenos Aires until next week but "authorizes" me to discuss matter with either the President or the Minister of Finance. The President, however, is now on an official visit to the north of the Republic. Foreign Office informs me that copies of Cox's letter of August 27 to Under Secretary for Foreign Affairs (see Embassy's despatch No. 853 of August 29) were delivered to the Federal and Provincial Ministers of Finance.

In the absence of any representative of the Bondholders here, the Embassy can only obtain information concerning the status of negotiations locally through the financial representative of the Province and is not otherwise posted on what is currently taking place between the Protective Council and the Province's representative in New York.

Please, therefore, advise present status of negotiations from Protective Council's standpoint and instruct whether, in view thereof, it is desired I take up matter with the President upon his return or with the Federal Minister of Finance.

WEDDELL

835.51B861/131 : Telegram

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

WASHINGTON, September 17, 1935—noon.

124. Your 203, September 14, noon. Unless in your judgment of the situation there is danger of sudden unilateral action by the provincial authorities which would be discriminatory against American holders of Province of Buenos Aires bonds, you may defer any discussion of the matter with either the President or the Minister of Finance pending the outcome of discussions between the Foreign Bondholders Protective Council and the provincial representative in New York, developments in which will be communicated to you as soon as they are reported to the Department by the Council.

HULL

835.51B861/136

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

No. 284

WASHINGTON, September 25, 1935.

SIR: There are transmitted herewith copies of two letters dated September 17 and 18, 1935,²⁵ received from the Foreign Bondholders Protective Council, Incorporated, stating that no reply has been received to its telegraphic inquiry to the Argentine Minister of Finance of August 23 and September 6, copies of which were transmitted to you.

You are authorized in your discretion to make informal inquiry of the Argentine Minister for Foreign Affairs as to when the Council may expect an answer to the questions set forth in its two telegrams above referred to.

Very truly yours,

For the Secretary of State:
WILLIAM PHILLIPS

835.51B861/137 : Telegram

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

BUENOS AIRES, September 27, 1935—2 p. m.

[Received 6:42 p. m.]

220. Department's 129, September 25, 2 p. m.²⁶ According to a source believed to be reliable, Argentine State Railways has offered Province of Buenos Aires 85,000,000 pesos for the Meridiano Quinto Railway which it wishes to own together with Central Cordoba Railway to link up these two systems with the State Railway system.

²⁵ Neither printed.²⁶ Not printed.

Deal not closed as the Province of Buenos Aires is tentatively asking 100,000,000 pesos.

From the State Railway's viewpoint, the purchase of either railway depends on the purchase of the other. [?] not believed to be favorable to the consummation of these two purchases and their approval by Argentine Congress which is necessary before any transfer of title could be made. Congress adjourns next week.

Regarding second question, according to the published records a mortgage on the Meridiano Quinto Railway was given as security for the 7½% dollar bonds of 1947 of the Province of Buenos Aires. It is assumed that this mortgage was duly registered and consequently the property could not be transferred from the Province to the National Government without the assumption of the mortgage, and therefore, the assumption of liability for the 7½% bonds.

Question regarding "any balance" is not clear. If what is meant is what balance would be left from the 85,000,000 pesos paid to the Province were the sale of the railway to the Argentine State Railways consummated, it is likely that the deal would involve substitution of national bonds instead of bonds of the Province of Buenos Aires. Such is believed to be the plan with respect to the suggested sale of the Central Cordoba Railway. The Meridiano Quinto Railway has shown an operating deficit of 178,000 pesos in 1934; 180,000 pesos in 1933; 547,000 pesos in 1932; and will probably show deficit in 1935.

Regarding last question, Embassy strictly confidentially informed that as far as the Provincial Minister of Finance of Buenos Aires Province is concerned, that offer was made and still holds good, although Minister understood it was never transmitted to the bondholders representative in New York by the Province's financial representative negotiating there.

Despatch by air mail pouch today.

WEDDELL

835.51B861/140

*The Executive Vice President and Secretary of the Foreign Bondholders Protective Council, Inc. (White) to the Chief of the Division of Latin American Affairs (Wilson)*²⁷

NEW YORK, October 2, 1935.

[Received October 9.]

DEAR MR. WILSON: Please accept my hearty thanks for your letter of the 1st inst. (LA 621.6317/35),²⁸ enclosing a paraphrase of telegram No. 220, September 27th, 2 p. m., from the Embassy at Buenos Aires.

²⁷ Copy transmitted to the Ambassador in Argentina with instruction No. 291, October 8, 1935, not printed.

²⁸ Not found in Department files.

I am indeed happy to have this information, which comes at a most opportune moment when we are considering a new proposal of the Province of Buenos Aires.

Yesterday, they suggested paying, on the 6%, 6½%, 7% and 7½% Bonds respectively, as follows:

1936-1938—4⅛—4¼—4⅜—4½—no amortization.
 1939-1941—ditto —¾% amortization.
 1942-until bonds are retired—
 4⅜—4½—4⅝—4¾—1% amortization.

In considering this matter it would be a help to us to have an answer to our cable of August 23rd to Señor Pinedo, Minister of Finance of the Republic. I am wondering whether the Embassy is having any success in this matter?

Faithfully yours,

FRANCIS WHITE

835.51B861/140 : Telegram

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

WASHINGTON, October 17, 1935—1 p. m.

142. The Foreign Bondholders Protective Council states that it would greatly appreciate any information which can be appropriately obtained without approaching either the First of Boston Corporation or Bemberg and Company regarding the total amount included in the 1936 budget of the Province of Buenos Aires for service of dollar bonds, and also if there is any indication when the budget will be voted.

The Department would be interested in receiving any expression of opinion which you may wish to venture on the last proposal of the Province (transmitted with the Department's air mail instruction No. 291 of October 8²⁹); whether you believe it really constitutes the final offer and whether in the light of all the circumstances it may be regarded as a reasonable settlement for the American bondholders as compared with the terms offered other foreign bondholders.

Cable reply.

HULL

835.51B861/144 : Telegram

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

BUENOS AIRES, October 21, 1935—5 p. m.

[Received 8 p. m.]

251. Department's 142, October 17, 1 p. m.

1. Total amount included in the 1936 budget for the Province of Buenos Aires for service dollar bonds is 10,283,000 paper pesos. Press reports that Provincial Congress approved budget October 10.

²⁹ Not printed.

2. Whether the Province's proposal is final and whether it is a reasonable one are both contingent in large measure upon crop results which cannot be known before close of December and upon future prices for agricultural products, the latter depending in part upon the European situation which cannot now be forecast. Province of Buenos Aires has suffered little from drought, consequently will benefit by high prices caused by drought conditions in other parts of the Republic.

WEDDELL

835.51B861/145 : Telegram

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

BUENOS AIRES, October 22, 1935—noon.

[Received October 22—11:55 a. m.]

252. Department's instruction No. 284, September 25. I have on several occasions mentioned this matter to the Foreign Minister who told me yesterday that failure to answer was because of reluctance of Minister of Finance to reply to a query of a nonofficial organization. I explained at some length the high standing and purpose of the Council. The Foreign Minister finally telephoned the Minister of Finance who he said promised him a written reply to be communicated to me.

WEDDELL

835.51B861/146 : Telegram

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

BUENOS AIRES, October 23, 1935—1 p. m.

[Received 1:15 p. m.]

254. Embassy's No. 252, October 22, noon. I have just received a letter from the Foreign Office dated October 21 giving the Minister of Finance's reply to the questions in Foreign Bondholders Protective Council's cable to the Finance Minister dated August 23, a literal translation of which is as follows:

1. Law No. 12139 for unification of national internal taxes on consumption is actually in force and its duration is fixed for 20 years, and will be extended for a further period of 10 years provided that neither the nation nor the provinces denounce it at least 2 years in advance.

2. The application and collection of the unified taxes are in the charge of the national Government.

3. By virtue of the same law the payment of the taxes is effected by the contributor into the account "national internal taxes" of the Bank of the Argentine Nation which distributes directly to the provinces their share, crediting the remainder to the nation.

4. The Ministry of Finance has received a note from the government of the Province of Buenos Aires requesting that instructions be given the Bank of the Argentine Nation that as from January 1, 1936, the funds to be credited to that state derived from the law for unification of national internal taxes be deposited in a special account to be opened by said government in the same bank under the name of "account for the service of the external public debt of the Province of Buenos Aires". On September 27 last the Ministry of Finance addressed a note to the bank for this purpose.

Please inform Council.

WEDDELL

835.51B861/146a : Telegram

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

WASHINGTON, October 29, 1935—2 p. m.

150. The Foreign Bondholders Protective Council reports that the Province of Buenos Aires has slightly improved its preceding offer and calculates that its present proposal would give American bondholders during the third period 63 percent of their contractual service as compared with 65 percent of contractual service offered holders of sterling bonds. The Council states that the Finance Minister of Buenos Aires Province urged the Council to make its reply by October 31.

According to the Council's calculations, an increase of one-eighth of 1 percent would only increase service charges about \$87,000 per annum and would give the American bondholders 64½ percent of contractual service; an increase of \$115,000 would give them equal service with British holders.

You may orally and informally bring to the attention of the Argentine Minister for Foreign Affairs that the Council and the Province are apparently close to agreement, communicating the foregoing discussion of the Province's latest offer but making it clear that the estimates and suggestions are those of the Council. You may express the hope that Argentine financial authorities will study the Council's estimates and if they are found correct that they will give consideration to its request for equality of treatment for the American bondholders. You may state that the highly commendable efforts of the Province to service its foreign debt are appreciated and it is very desirable from the standpoint of good will and Argentine credit that no misunderstanding of the terms of the settlement, or any actual remediable discrepancy between the terms offered the American bondholders and those offered the British, be allowed to create a feeling among American investors that they had been subjected to discrimination.

HULL

835.51B861/147 : Telegram

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

BUENOS AIRES, October 30, 1935—5 p. m.
[Received 6:15 p. m.]

265. I today took up your 150, October 29, 2 p. m., with the Minister for Foreign Affairs, who, while expressing the detachment of the Federal Government in matters of provincial finance, finally, at my request, said that he would endeavor to discuss the matter with the Minister of Finance of the Province of Buenos Aires.

WEDDELL

835.51B861/148 : Telegram

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

BUENOS AIRES, November 4, 1935—11 a. m.
[Received November 4—10:30 a. m.]

269. My 265, October 30, 5 p. m. Bemberg's representative here advises Embassy that the Minister of Finance of Province of Buenos Aires has raised his last offer to American bondholders to an equality with offer made to sterling bondholders and that this offer is acceptable to the Foreign Bondholders Protective Council and to fiscal agents who will recommend acceptance.

WEDDELL

UNPERFECTED SANITARY CONVENTION BETWEEN THE UNITED
STATES AND ARGENTINA, SIGNED MAY 24, 1935 ³⁰

Unperfected Treaty No. M-12

*Sanitary Convention Between the United States of America and the
Republic of Argentina, Signed May 24, 1935* ³¹

The United States of America and the Republic of Argentina, being desirous of cooperating to prevent the introduction and spread of infectious and contagious plant and animal diseases and of insect pests,

³⁰ For correspondence regarding representations by Argentina against sanitary restrictions on importation into the United States of Argentine meats from area not subject to specified animal diseases, the complaint which led to the signing of this unperfected convention, see *Foreign Relations*, 1933, vol. iv, pp. 780 ff.

³¹ This convention was not acted upon by the Senate. Pursuant to a message from President Truman to the Senate, April 8, 1947, and a Senate resolution of April 17, 1947, the convention was withdrawn from the Senate. (*Congressional Record*, vol. 93, pt. 3, pp. 3583-3584.)

An explanation of this convention was given by Secretary of State Cordell Hull in a letter to Senator Key Pittman, Chairman of the Senate Foreign Relations Committee, August 20, 1935. (*Congressional Record*, vol. 79, pt. 13, p. 14043.)

have agreed to conclude a convention for that purpose, and have appointed as their respective plenipotentiaries:

The President of the United States of America: Mr. Cordell Hull, Secretary of State of the United States of America;

The President of the Republic of Argentina: His Excellency Dr. Felipe A. Espil, Ambassador Extraordinary and Plenipotentiary of the Republic of Argentina at Washington;

Who, having communicated to each other their respective full powers, found to be in good and due form, have agreed upon the following articles:

ARTICLE I

The Government of the United States of America and the Government of the Republic of Argentina will notify each other promptly, through the usual diplomatic channels, of the appearance and extent of plant and animal diseases and of insect pests dangerous to human, animal or plant life.

ARTICLE II

The two Contracting Governments will exchange the official regulations, periodicals, and other publications that may be issued in the respective countries on the subject-matter of this Convention and likewise information concerning changes and substitutions which may be developed in the methods of prophylaxis, control, and care of plant and animal diseases and insect pests.

Each Government will permit visits to or stationing in its territories of experts and representatives of the other Government for the purpose of studying and observing on the ground the existence, distribution and methods of control and eradication of such diseases and pests as may appear in its territory. Each Government will facilitate, so far as possible, the studies and observations of the experts or representatives of the other Government.

ARTICLE III

Each Contracting Party recognizes the right of the other Party to prohibit the importation of animal or plant products, originating in or coming from territories or zones which the importing country considers to be affected with or exposed to plant or animal diseases or insect pests dangerous to plant, animal or human life, until it has been proved to the satisfaction of the Party exercising such right that such territory or zone of the other Party is free from such contagion or infestation or exposure to contagion or infestation. Neither Contracting Party may prohibit the importation of animal or plant products originating in and coming from territories or zones of the other country

which the importing country finds to be free from animal or plant diseases or insect pests or from exposure to such diseases or pests, for the reason that such diseases or pests exist in other territories or zones of the other country.

ARTICLE IV

Certificates of origin or inspection of plant and animal products, issued by duly authorized sanitary officials of either of the contracting countries, shall be accepted by the authorities of the other country as proof of such origin or inspection, as the case may be, but the issuance of such certificates by the authorities of one of the contracting countries shall not preclude further inspection of the products by the authorities of the other country, or further investigation with respect to them, to determine their freedom from infection or infestation or exposure to disease or insect pests, before entry is permitted.

ARTICLE V

The Government of the United States of America or the Government of the Republic of Argentina, as the case may be, will accord sympathetic consideration to such representations as the other Government may make regarding the application of sanitary laws and regulations for the protection of human, animal, or plant life.

In the event that the Government of either of the contracting countries makes representations to the Government of the other country in respect of the application of any sanitary law or regulation for the protection of human, animal or plant life, and if there is disagreement with respect thereto, a committee of technical experts on which each Contracting Government will be represented shall, on the request of either Government, be established to consider the matter and to submit recommendations to the two Governments.

Whenever practicable each Government, before applying any new measure of a sanitary character, will consult with the Government of the other country with a view to insuring that there will be as little injury to the commerce of the latter country as may be consistent with the purpose of the proposed measure. The provisions of this paragraph do not apply to actions affecting individual shipments under sanitary measures already in effect or to actions based on pure food and drug laws.

ARTICLE VI

This Convention shall be ratified and the ratifications shall be exchanged at the city of Washington as soon as possible.

The convention shall come into force on the day of exchange of ratifications and shall remain in force until sixty days after either

Contracting Party shall have given notice to the other Party of its intention to terminate the Convention.

IN WITNESS WHEREOF the respective Plenipotentiaries have signed the present Convention and have affixed thereto their seals.

DONE in duplicate, in the English and Spanish languages, at the city of Washington this twenty-fourth day of May in the year of our Lord one thousand nine hundred and thirty-five.

CORDELL HULL [SEAL]

FELIPE A. ESPIL [SEAL]

BRAZIL

RECIPROCAL TRADE AGREEMENT BETWEEN THE UNITED STATES AND BRAZIL, SIGNED FEBRUARY 2, 1935¹

[For texts of reciprocal trade agreement between the United States and Brazil, signed February 2, 1935, and supplementary agreement signed April 17, 1935, and exchange of notes signed February 2, 1935, see Department of State Executive Agreement Series No. 82, or 49 Stat. 3808.]

611.3231/957 : Telegram

The Secretary of State to the Chargé in Brazil (Gordon)

WASHINGTON, May 28, 1935—6 p. m.

98. Your 142, May 25, 11 a. m.² The Department believes that the advantages of the trade agreement, both to Brazil and the United States, far outweigh in importance the few criticisms which have been made in both countries by special interests. This Government is accordingly desirous that the agreement come into force at the earliest possible date. It is a matter of some surprise here that ratification has been delayed by Brazil, in view of the fact that the agreement, among other things, safeguards Brazil's chief export market and at the same time establishes equitable principles with respect to foreign exchange. The maintenance of the principle of unconditional most-favored-nation treatment is to the advantage of Brazil as well as the United States. The agreement represents a real step forward in these days of economic confusion, and continued delay in ratification, if carried to extreme, might further encourage hostile tendencies with unpredictable results.

You may, in your discretion, express these views to the Foreign Office and in such other directions as you may deem appropriate, without, of course, conveying the impression that this Government is attempting to persuade Brazil to ratify as a favor to the United States. It is believed, however, that the Brazilian Government should be aware of the dangers inherent in undue procrastination.

HULL

¹ For previous correspondence, see *Foreign Relations*, 1934, vol. iv, pp. 542 ff.

² Not printed.

611.3231/963 : Telegram

The Chargé in Brazil (Gordon) to the Secretary of State

RIO DE JANEIRO, June 6, 1935—5 p. m.

[Received June 7—12:40 a. m.]

151. Department's 98, May 28, 6 p. m., and my despatch 684 of May 31st.³ Euvaldo Lodi, Second Vice President of the Chamber of Deputies and a class deputy from Minas Geraes, representing industries, asked to see me this morning. He said that he came to speak in a personal capacity as well as in his capacity as President of the Brazilian Federation of Industries. His statements may be summarized as follows:

The trade treaty with the United States was negotiated on the part of the Brazilian Government with undue secrecy and the interested parties especially Brazilian industries were in effect given no hearing at all. In consequence the treaty had lowered Brazilian duties on a number of tariff items in a manner so prejudicial to Brazilian industries that many of them would be seriously crippled if the treaty went into force in its present shape.

Accordingly he and many fellow deputies in the Chamber, although they belonged to the Government majority, would not be able to vote for the ratification of the treaty and as the vote will be by secret ballot he felt that the treaty cannot pass in its present form. However, aside from the tariff items of which they complained, he and his friends approved of the general framework of the treaty and, moreover, wished to do nothing in conflict with the Brazilian traditional policy of cultivating close political and economic ties with the United States. The idea of the dissident deputies representing industry, therefore, was that the treaty might be modified by deleting or changing certain items objectionable to them in schedule I and substituting other reduced duties which they claim would offer greater total advantages to American export trade to Brazil than the items complained of.

I replied to the effect that while I could offer no comment as to the manner in which the treaty had been negotiated on the Brazilian side I wished to point out that our Government had entered upon the negotiation of this treaty after receiving assurances from the Brazilian Government that it was ready and desired to negotiate a treaty of this character and that the negotiations were carried on with the duly accredited representatives of that Government, moreover, that for our part in the negotiations had been attended with all possible public notice to interested parties.

I then developed and extended the arguments set forth in your telegram under reference and emphasized the grave consequence of a

³ Latter not printed.

psychological as well as of a financial and economic nature that would result if the Brazilian Congress were to reject this treaty which constituted an international act of the highest importance. I expressed my personal opinion that the procedure he proposed was materially impossible: If the Brazilian Congress should attempt extensive modification of schedule I of the treaty not only would the process take an inordinate amount of time which my Government could not but look upon with disfavor but also he would appreciate that it must be entirely problematical whether the Department and the President would then be prepared to give their approbation to such an altered instrument. If he and his friends felt that the interests they represented were vitally affected by the present schedule their best hope of remedy would seem to be to vote first for the ratification of the treaty and then to take their case to their own Government to see if it could be induced to propose to the American Government modifications by way of a protocol or exchange of notes of specific items in schedule I.

I rejoined that if the treaty were tampered with by the Brazilian Congress and its ratification made impossible the special interests he and his friends were representing would in the not very long run suffer more than they would from the adoption of the treaty as it stood.

I further emphasized that from a purely Brazilian point of view not only was ratification of the treaty most important but also a very prompt ratification: during the days last winter when the negotiations were nearing completion and when the treaty was finally signed while the mission of the Finance Minister was in the United States American interest in expansion of trade with Brazil in the resources of the country and in things Brazilian in general had reached a high pitch and one that could only be highly advantageous to Brazil; as month after month had now gone by without ratification of the treaty or without any solution of the frozen credit situation which as far back as 4 months ago it had been agreed to clear up, this sympathetic interest had necessarily been evaporating little by little and I felt sure he would realize how prejudicial this was to Brazil's interests.

I trusted that I am not mistaken in my feeling that the sum total of the arguments herein above summarized made some impression on Lodi for he departed saying that he agreed that some way must be found to avoid the grave consequences of a rejection of the treaty, that he believed the way could be found, that he was going to see President Vargas upon his return as well as other high Brazilian officials and if they would give him assurances that the interests of Brazilian industry would be taken in hand after the ratification of the treaty he would vote for the ratification and felt that he could induce his friends to do likewise.

The above is a bare outline of the views exchanged in the interview which lasted upwards of an hour and a half. I have reported them at such length because the views advanced by Lodi and his influential position seemed to me to represent a real danger to the treaty's ratification. Even should this danger fortunately prove illusory I felt the Department would wish to be fully informed in the premises.

I should like to emphasize that at no stage of the conversation did I say a word which could be interpreted as holding out any definite hope that my Government would be likely to consider favorably any modification that might be proposed along the lines he suggested.

As indicated in my despatch under reference I saw the Acting President of the Republic last Friday and in general terms along the lines set forth in the Department's telegram under reference presented to his consideration the advantage to Brazil of ratifying the treaty with the least delay possible. The Acting President gave every appearance of responding sympathetically to the views advanced and assured me that he would do everything possible to expedite ratification especially when, after the return of President Vargas, he would resume his functions as President of the Chamber. I had not reported this interview sooner awaiting some concrete result thereof. Yesterday, however, the Diplomatic and Treaty Commission of the Chamber with one dissenting vote approved the treaty; though I regret to say that the approval was given in a rather lukewarm manner emphasizing only the desirability of maintaining close political ties with the United States and intimating that the treaty with its schedules would receive more searching technical examination at the hands of the Commissions of Finance, and of Agriculture, Commerce and Industry, before which it must also go.

I trust that my action as reported above has the approval of the Department and I would greatly appreciate such further instructions as it may wish to send me for my future guidance: e. g. as to whether the arguments summarized above should be reiterated should occasion arise. With the Foreign Minister absent for an indefinite time (see my 150, June 4, 6 p. m.⁴) I feel I would be on somewhat delicate ground in doing much more than I have already done by way of trying actively to promote ratification, and while it is irksome to remain inactive in the face of evidence that opposition to ratification is being fomented, I naturally wish to avoid even the appearance of becoming involved in what is primarily a quarrel between dissatisfied Brazilian elements and their own Government.

GORDON

⁴ Not printed.

611.3231/963 : Telegram

The Acting Secretary of State to the Chargé in Brazil (Gordon)

WASHINGTON, June 10, 1935—5 p. m.

105. Your 151 June 6, 5 p. m.

1. The Department approves the attitude you have assumed, and concurs in the views expressed in the last paragraph of your telegram. There is no objection to your reiterating the views of this Government should suitable occasions arise, bearing in mind the second paragraph of the Department's telegram No. 98 of May 28.

2. You should avoid making any statements which might later be construed as suggestions on your part that the Brazilian Government propose to the American Government modifications of specific items in Schedule I by way of a protocol or exchange of notes, even though no assurances are given that this Government would be likely to consider favorably any such modifications.

PHILLIPS

611.3231/970 : Telegram

The Chargé in Brazil (Gordon) to the Secretary of State

RIO DE JANEIRO, June 29, 1935—noon.

[Received 2:35 p. m.]

167. My 151, June 6, 5 p. m. I am becoming increasingly concerned with regard to the ratification of our trade agreement. I had hoped that after the Foreign Minister returned from Buenos Aires and had had time to straighten out his office he would actively take in hand the task of pushing the agreement toward ratification, above all of seeing to it that many days are not needlessly lost in the Chamber merely for lack of anyone actively interesting himself in avoiding such delay. There is no doubt that special interests, principally industrial, are taking advantage of the time thus offered to redouble their pressure on deputies who belong to the normal Government majority.

I have seen the Foreign Minister several times this week and bearing in mind Department's 98, May 28, 6 p. m. have pressed the matter upon him but although he has now been back in Rio 10 days he is still very much preoccupied with Chaco matters.⁵ He quite agrees as to the importance to Brazil of ratifying the agreement but outwardly at least he does not seem to see the dangers inherent in undue procrastination as clearly as the Department does; while I know that he has several times stated that he is going to push the agreement vigorously

⁵ See pp. 7 ff.

I have not been able to discern any proof of his following this up with concrete deeds and above all I have not seen any evidence of definite effort on his part tending to bring Government deputies into line for quick action.

Yesterday the Tariff Commission to which the agreement had been sent by the Financial Committee of the Chamber rendered a favorable report but the agreement still has to go back to that committee and before at least one other Chamber committee before committee it takes effect upon in plenary session [*sic*], after which it must pass the Senate (see my despatch No. 684 of May 31^e). When I referred to this yesterday, the Foreign Minister admitted that he thought it would be at least some weeks more before the agreement could be ratified.

To sum up the Foreign Minister expresses no apprehension as to eventual ratification but does not give all the evidence desirable of energetic determination to secure it with the least possible delay.

I thought the Department would like to know the status of the matter in case it might wish to consider suggesting to Aranha⁷ to communicate again with President Vargas urging prompt ratification. In fact, if within the next week or 10 days at most, some concrete progress towards ratification in the Chamber is not forthcoming the Department might wish to formulate something in the way of a personal message to the Foreign Minister which I could informally convey to him.

GORDON

611.3231/976 : Telegram

The Chargé in Brazil (Gordon) to the Secretary of State

RIO DE JANEIRO, July 17, 1935—4 p. m.

[Received 4:15 p. m.]

176. My 167, June 29, noon. While I regret to state that there has been no concrete progress in the Chamber towards ratification of the trade agreement since sending my telegram under reference, I am glad to be able to report that the Foreign Minister has given more evidence of realizing the necessity of lining up influential members of both Chambers of the Brazilian Congress. I know that he has summoned quite a few of these to the Foreign Office in the last 10 days and at the final interview with him which I have just had he told me of another conference of this nature which he is having tomorrow.

He feels that there will be no trouble whatsoever in the Senate and still professes complete confidence that when it comes to a vote the Chamber will have a safe majority for ratification.

⁶ Not printed.

⁷ Oswaldo Aranha, Brazilian Ambassador in the United States.

He said that in view of the many over-optimistic estimates as to the time within which the agreement could be ratified which he knew had been given me, he was loath to give me another estimate; but upon my again requesting him to give me at least his approximate views in the premises he replied that he would go so far as to say that he had high hopes that the agreement would be ratified within a month from now.

At luncheon yesterday I had a favorable occasion to converse with both the majority leader in the Chamber, Raul Fernandes, and the President of the Senate having in mind of course the Department's 98 of May 28, 6 p. m., and 105 June 10, 5 p. m. They both agreed that it was definitely to Brazil's advantage to ratify the agreement and professed, in spite of the opposition in the Chamber, to feel confident of ratification.

GORDON

611.3231/976 : Telegram

The Acting Secretary of State to the Chargé in Brazil (Gordon)

WASHINGTON, July 24, 1935—6 p. m.

124. For the Ambassador. While Gordon's 176 July 17, 4 p. m., gives ground for optimism as to the ratification of the trade agreement, time is of increasing importance. I therefore wish you would promptly review the file on the subject and use every suitable opportunity, with due regard to the local situation, to promote early ratification and particularly to encourage the Foreign Minister to activity in behalf of this. While the delays which have been encountered may be readily understandable to persons on the ground, they have caused increasing apprehension among the large body of American businessmen who are interested in our current trade with Brazil and who in many cases are also interested in the funding agreement for deferred commercial indebtedness which, while not intergovernmental, is regarded by them as closely related to the trade agreement. Apart from those directly interested in this situation, the delay in ratification of this early and important trade agreement, the first to be signed after the special case of our agreement with Cuba,⁸ has repercussions on general sentiment toward the whole program. This program is regarded as particularly favorable to Brazilian interests when compared with the general trend of the commercial policy of other important trading countries, and the failure of Brazil so far to make the agreement effective naturally affords material for all those who wish to attack and weaken the general program.

⁸ See *Foreign Relations*, 1934, vol. v, pp. 108 ff.

With regard to deferred commercial indebtedness, the National Foreign Trade Council has arrived at agreement with the Brazilian Ambassador on this subject. As indicated in Embassy's 178, July 23,⁹ it is apparently contemplated that signature to the agreement will be withheld until the trade agreement shall have been ratified. The Council is still endeavoring to obtain discount privileges from the Export-Import Bank for the frozen credit notes which will be issued under the agreement but the bank has not yet decided whether, or in what form, such privileges will be granted. When the agreement with respect to deferred commercial indebtedness is signed, it will be appropriate for the Embassy to use its good offices to insure that there will be no unnecessary delay on the Brazilian side.

PHILLIPS

611.3231/981 : Telegram

The Chargé in Brazil (Scotten) to the Secretary of State

RIO DE JANEIRO, August 3, 1935—noon.

[Received August 3—11:26 a. m.]

182. Department's 126, July 25, 6 p. m.⁹ At the request of the Minister for Foreign Affairs I called upon him this morning. He stated that yesterday afternoon he had had a meeting with the leaders of the majority in the Chamber of Deputies together with the reporter of the Finance Commission which is at present studying the trade agreement. As a result of this meeting he asked me to assure the Department that the trade agreement would be ratified by the end of August.

SCOTTEN

611.3231/989 : Telegram

The Chargé in Brazil (Cabot) to the Secretary of State

RIO DE JANEIRO, August 19, 1935—5 p. m.

[Received 5:45 p. m.]

191. Embassy's 182, August 3, noon. The Embassy is informed by Sebastian Sampaio¹⁰ that the assurance contained in the above-mentioned telegram had been given in accordance with information received from Raul Fernandez, Government leader in Chamber. Mr. Sampaio now doubts that the agreement can be ratified by the end of August although he is still certain that it will eventually be ratified. He explains that the unforeseen delay is due to the fact that the Finance Committee has unexpectedly refused to vote on the trade

⁹ Not printed.

¹⁰ Chief of the Commercial Section of the Ministry for Foreign Affairs.

agreement until it has been reported by the Committee of Commerce, Industry and Agriculture.

The agreement must also pass the Senate.

I shall call the Department's telegram 124, July 24, 6 p. m., to the Ambassador's attention immediately upon his return next Thursday.

CABOT

611.3231/1003

*Memorandum by the Chief of the Division of Latin American Affairs
(Wilson)*

[WASHINGTON,] August 21, 1935.

When Mr. Freitas Valle, Counselor-Minister of the Brazilian Embassy called this morning to discuss with Dr. Feis¹² and me the exchange problem in Brazil, I took occasion of his visit to express to him the Secretary's serious concern over a cable just received from Cabot to the effect that Sampaio had stated that there would probably be further delay in ratification of the trade agreement. I said that this continued delay was of course playing into the hands of people in this country who, as the Brazilian Government knew, were attacking our trade program and urging us to demand concessions of Brazil on the basis of the preponderance of trade between the two countries in Brazil's favor. I said that a dangerous situation in this country might very well develop from further delay in ratification of the trade agreement, and that there might be an inevitable change of policy up here which would have an unfortunate effect on our trade relations between the two countries.

Mr. Freitas Valle said that he had had no word for some time regarding the situation of the trade agreement in the Brazilian Congress, but that he would cable at once regarding the Secretary's concern and would ask for information.

EDWIN C. WILSON

611.3231/989 : Telegram

The Secretary of State to the Chargé in Brazil (Cabot)

WASHINGTON, August 21, 1935—4 p. m.

135. For the Ambassador. Reference Embassy's 191, August 19, 5 p. m. We are greatly disappointed at the prospect of further delay in ratification of the trade agreement, particularly in view of assurances reported by Scotten in his 182, August 3, noon. We hope that you will be able to take early action on the lines indicated in Department's 124, July 24, 6 p. m.

HULL

¹² Herbert Feis, Economic Adviser of the Department of State.

611.3231/990 : Telegram

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

RIO DE JANEIRO, August 23, 1935—6 p. m.

[Received 6 : 04 p. m.]

195. Department's 135, August 21, 4 p. m. On my arrival yesterday I had an opportunity to discuss briefly with the Minister for Foreign Affairs the ratification of the trade agreement. This afternoon I had a longer talk with him and went into the subject fully on the basis of the Department's 124, July 24, 6 p. m. and other communications. I sought to impress upon him as strongly as possible the importance attached to the early ratification of the agreement and the unfortunate effect of failure to ratify not only as regards this agreement but also as regards our whole program.

Macedo Soares obviously grasped the full significance of the situation and this afternoon and tomorrow is calling in the reporter of the Committee on Agriculture and others to urge upon them action for early ratification. I am convinced that the Minister for Foreign Affairs will do everything in his power to meet our wishes but I find a complicated internal political situation which raises some doubt as to his ability to have his way. I will report concerning this situation in a further telegram.

GIBSON

611.3231/991 : Telegram

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

RIO DE JANEIRO, August 23, 1935—7 p. m.

[Received 8 : 50 p. m.]

196. Since the adoption of the constitution last year a situation has arisen which creates definite practicable difficulties for ratification of our trade agreement alluded to in my 195. From a brief examination of the files fear significance of this situation may have escaped the Department's attention.

The so-called class deputies referred to in the Embassy's despatches 4098 of May 23 and 4127 of June 19, 1933,¹³ represent private interests such as manufacturers, merchants, etc. They are for all practical purposes lobbyists who at the same time have the right to vote, they are not responsible to the electorate; when it suits their convenience they support the Government but in matters involving their own interests they join the opposition and indulge in lobbying among those who normally vote for the Government. Indeed it would appear that the

¹³ Neither printed.

Brazilian Government itself did not anticipate the powerful opposition which has arisen from this source. We are confronted with the same extraordinary situation as if lobbyists representing special interests in the United States were allowed to sit and vote in the Senate in opposition to treaties submitted for ratification.

There [*The?*] class deputies, especially those representing São Paulo industries, appear to have been extremely active within the Chamber in undermining the agreement and although my first impression may be unduly pessimistic I believe that unless the Government takes immediate and energetic measures to counteract this influence, we shall be confronted with a definite possibility of non-ratification.

I shall, of course, press for such action by the Brazilian Government.

GIBSON

611.3231/993 : Telegram

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

RIO DE JANEIRO, August 26, 1935—11 a. m.

[Received 12 : 02 p. m.]

197. My 195, August 23, 6 p. m. and 196 August 23, 7 p. m. I find that the situation as regards ratification of the trade agreement is complicated and despite the best efforts of the Embassy has been allowed to drift for so long that there is now some doubt as to the outcome.

In view of the importance you attach to ratification I feel I should draw your attention to the desirability of making early arrangements which will enable me to stay here and devote myself to this problem. I cannot of course give any assurance of success even by staying on the ground but feel I may be able to accomplish something and presume you will wish me to concentrate my efforts here.

While I quite recognize the importance of the Chaco Conference¹⁴ it is and will probably remain for some months to come, a negative effort to kill time and avoid the issue. As reported in my telegram 172, August 12, 10 p. m.¹⁵ from Buenos Aires Dana Munro¹⁶ is in the Argentine and will be glad to help out if desired. In view of the situation here I venture to bespeak reconsideration of my suggestion that he be appointed additional delegate or that somebody else be appointed who can take over at an early date. This would provide

¹⁴ Ambassador Gibson was U. S. representative to the Chaco Peace Conference at Buenos Aires; see pp. 7 ff.

¹⁵ Not printed.

¹⁶ Formerly Minister to Haiti; professor of Latin-American History and Affairs at Princeton University.

for dealing with both questions and I could of course hold myself in readiness to go to Buenos Aires when there was something definite to be done.

Parenthetically I venture to point out that no other Government is represented by a single delegate each having from two to six.

In the meantime I believe it would have a wholesome effect here if I were to say to Macedo Soares that an additional delegate was being appointed to leave me free to stay here and follow this situation.

GIBSON

611.3231/993a : Telegram

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

WASHINGTON, August 26, 1935—6 p. m.

137. I am very much disturbed over reports of possible further indefinite delay in the ratification by Brazil of the Trade Agreement. This delay is contributing to a situation within this country which may be of great importance to the whole of the American policy of commercial relations and directly affect Brazilian trade interests.

The Brazilian authorities are acquainted with the views regarding Brazilian-American trade relations that have been urged and argued by many powerful trade interests in this country. These groups have argued that American trade could only be satisfactorily protected if this Government embarked upon a plan of trade control which would secure for American trade preferential opportunities in countries for whose products the United States is a great purchaser. They have reiterated and kept before American opinion the fact that American markets have been open to Brazilian exports, in most instances free of any tariff duty, while American goods are subject to diverse and heavy charges under the Brazilian tariff. They have endeavored to force this Government to take such measures as might be necessary to secure special concessions from Brazil.

The Brazilian authorities also know the main principles on which the Administration has tried to conduct its commercial agreement program. It has endeavored to assume leadership in a policy which will permit trade to move freely according to underlying economic facts, on a basis of equality and assisted by the concerted action of all interested countries in gradually lowering their trade restrictions. In putting forward this program against substantial domestic opposition, the American Government has believed that it could certainly count upon the support of other governments, especially those in the position of Brazil, so dependent upon a freer and expanding world trade, and enjoying comparatively favorable opportunities in the American market. These anticipations of support were expressed at the Montevideo

Conference and have led us to expect prompt action on the part of Brazil rather than the protracted delay that has occurred.

The continuance of delay will mean that American interests will more vigorously than before challenge the proposed Trade Agreement with Brazil and urge that tariffs be imposed upon Brazilian products, particularly coffee, unless compensating concessions are given to American trade. In any such proposals they will have the support of those elements who are seeking new sources of revenue, as well as the elements who wish to impede the reduction of American tariff barriers. An assertion of these views by these combined interests is imminent; it will become actual unless countries like Brazil show their belief in the policy embodied in the Brazilian-American Agreement. Action desired neither by this Government nor the Brazilian Government might well result. In the light of these possibilities I wonder if the Brazilian Government does not feel that the time has been reached to overcome the particular groups that are opposing ratification and act decisively to secure prompt ratification. I should be glad if you would discuss this matter in strict confidence along the foregoing lines with the Brazilian Foreign Minister, and with the President of Brazil if you believe this advisable, making it clear of course that there is no thought of threat or menace in what you are saying but that we feel it necessary and advisable to fully express in a friendly and frank manner our apprehensions regarding the situation that may result from continued delay in ratification, and its possible effect upon Brazilian-American trade relations.

I expect to have a talk along similar lines tomorrow with the Brazilian Counselor, the Ambassador being absent.

HULL

611.3231/996 : Telegram

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

RIO DE JANEIRO, August 27, 1935—6 p. m.

[Received August 27—6 p. m.]

200. Your 137, August 26, 6 p. m. In previous conversations including one yesterday afternoon I had already impressed upon Macedo Soares the arguments which are set forth in your telegram received today. However, I was glad to have them with the force of a message from you. I therefore called on the Foreign Minister again this afternoon and told him I thought that in view of our relations of confidence the best course was for me to read to him a personal telegram I had just received from the Secretary of State; I then translated your message as it stood. He accepted it in the best spirit; declared he was in full agreement with everything you said; that he quite realized the seriousness of the situation and proposed to do everything

possible to secure early ratification. However in contrast to interviews with Gordon and Scotten, he offered no surmise as to the period required for ratification.

The Minister told me he had had a series of conversations with congressional leaders and had secured from reporter of the Agricultural Commission an undertaking to make immediate and favorable report which may be submitted tomorrow. The reporter of this Commission told a friend of mine yesterday that he and other leaders had been summoned by the Minister who "read the riot act to them".

The Minister said he would go to see the President this afternoon and endeavor to impress upon him the necessity for him to take an active part in the drive for ratification. He said that while well disposed the President had been rather apathetic and that he needed to be stirred into action. He said that he would telephone me the results of his conversation some time this evening. The American Chamber of Commerce and other interests have made known to me their anxiety as to the delay particularly as it affects the unfreezing arrangement.

You may rest assured that I fully appreciate the importance of this situation. You will see from my telegrams 143, 144, 146, 172 and 176 from Buenos Aires,¹⁷ as well as various letters to Welles,¹⁸ that I have long been recommending that I get back to Brazil to give my attention to pending problems of which the most important but not the only one is that of the treaty. I trust under the circumstances that you will be disposed to act favorably upon the recommendations made in my 197, August 26, 11 a. m.

GIBSON

611.3231/998

Memorandum by the Secretary of State

[WASHINGTON,] August 27, 1935.

The Counselor of the Embassy of Brazil came in upon my invitation. After some general preliminaries, I proceeded to refer to the fact that there were serious international trade difficulties threatening and also bad repercussions upon our domestic situation through the probable uprising of owners of blocked exchange and other securities in Brazil. I said that from the time the broad reciprocity program for general economic recovery here and among the important nations of the world was adopted and the twenty-one American nations unanimously agreed to support it and, I might say, when Brazil took the

¹⁷ None printed.

¹⁸ Sumner Welles, Assistant Secretary of State.

lead along with the United States in this one exclusive movement for both domestic and international trade and business recovery, it had been all important that the American nations should steadily push forward the reciprocity program; that I had confidentially counted on Brazil, with its powerful influence in Latin America, to go forward arm in arm with the United States in support of this program; that, accordingly, Brazil promptly negotiated a trade agreement with the United States which carried much hope and encouragement to other nations here and abroad; that, unfortunately, month after month had elapsed without the ratification by Brazil of this trade agreement, and that the hopes of the friends of this program for business recovery had correspondingly become discouraged. I went on to say it was now the belief of many of us that the lobbyists representing various manufacturing industries, especially from São Paulo, which was the heart of the coffee country, where the United States purchased most of this Brazilian product, seemed gradually to be getting the upper hand of the friends of this trade agreement in the Brazilian Parliament, and that unless very resolute and aggressive action by the Government was undertaken without delay, the treaty would either be killed or destroyed by indefinite delay. I said this would be a great setback to the progress of the economic program in question and that it would seriously injure, not to say discredit, this program when a great country like Brazil failed either to support it before the world or even to ratify a bilateral arrangement in harmony with it. I stated that the other phase giving us serious concern was the domestic one which related to our nationals holding blocked exchange and other Brazilian securities in default. I said that I and other officials of this Government had experienced terrific opposition and severe criticism from month to month because we had entered into trade arrangements without taking care of the debt situation as it related to United States holders; that other governments had endeavored to take some care of their creditors in such instances; that these creditors were becoming more and more vociferous in their criticism and threatened a sort of uprising against us, as well as against Brazil, and that they repeated those old statements about the people of the United States purchasing the chief portion of Brazilian coffee and paying a large export tax which enabled them to stabilize the price on a rather high level much of the time, while imposing no import duties on such coffee. I stated that for some manufacturing interests in the São Paulo country to turn on a trade agreement, which mutually benefited both Brazil and the United States, and to destroy it presented a condition that we just could not much longer defend against the attacks of the United States creditors aforementioned, and that serious developments might arise very soon. I repeatedly assured the Counselor that

I was speaking as the same close friend of Brazil that my country and myself uniformly had been; that I would not for a moment speak of a proposal that I did not consider equally in the interest of Brazil and the United States, and that I felt that his country would be as proud as mine was for the two to go forward with their leadership in support of the economic program referred to. I continued that I felt the treaty was about to be destroyed unless immediate and strong efforts were made by the Brazilian Government to check the movement and to secure ratification, and that I felt it was due the Government of Brazil frankly to express these views from the standpoint of our mutual and common welfare.

The Counselor listened with apparent interest and at the conclusion of my statement expressed himself as understanding and appreciating the matters that I had brought to his attention and the necessity for early action by his Government if the treaty were to be saved. He had heard nothing for fifteen days, according to his statement. He said he would get these views substantially before his Government and in the right spirit. I requested him to let us keep in touch with each other from day to day with respect to the matter, each gathering all the latest information and transmitting it to the other. This, he said, he would be glad to do.

C[ORDELL] H[ULL]

611.3231/997 : Telegram

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

RIO DE JANEIRO, August 27, 1935—11 p. m.

[Received August 28—6:26 a. m.]

202. My 200, August 27, 6 p. m. Foreign Minister tells me he had a long discussion with the President and gave him our ideas in full. The President was much impressed and promised to take all possible measures to ensure early ratification.

GIBSON

611.3231/1000 : Telegram

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

RIO DE JANEIRO, August 29, 1935—7 p. m.

[Received 8:45 p. m.]

206. My 202, August 27, 11 p. m. The Minister of Foreign Affairs informed me this afternoon that as a result of his conversation reported in my telegram under reference the President yesterday called in the leader of the majority in the Chamber of Deputies and gave

him full and urgent instructions to obtain ratification of the trade agreement as quickly as possible. The President also called in Euvaldo Lodi, class deputy representing industries, who has been the most active opponent of the agreement in the Chamber and informed him that unless he ceased his activities he (the President) would publicly take issue with him. Lodi promised the President to cease his obstructionist tactics.

Various other leaders of the opposition to ratification have been dealt with by one means or another. One active friend informed me this afternoon that he had secured from Dodsworth, one of the chief obstructionists, a promise that he would refrain from further opposition. An effort is now being made to get him to adopt a favorable attitude to ratification.

The Minister of Foreign Affairs insisted upon having the Agricultural Committee deal with this subject immediately, took the unusual course of appearing in the committee this afternoon and insisting on immediate consideration. The committee thereupon voted favorably on the agreement and it has now been returned to the Finance Committee which will meet and will probably vote on the matter tomorrow. The latter is the last committee to pass on the agreement before going to plenary session of the Chamber.

GIBSON

611.3231/1015 : Telegram

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

RIO DE JANEIRO, September 12, 1935—6 p. m.

[Received 6:47 p. m.]

222. My 219, September 9, 6 p. m.²⁰ Trade agreement approved by Chamber this afternoon by vote of 127 to 51.

The agreement will now go to Senate for approval after which it must return to Chamber for signature of the Chairman.

GIBSON

611.3231/1038 : Telegram

The Chargé in Brazil (Frost) to the Secretary of State

RIO DE JANEIRO, October 1, 1935—7 p. m.

[Received 9:20 p. m.]

254. Department's 163 October 1, 1 p. m.²⁰ The matter of the delay in the approval of the trade agreement was taken up with the Minister

²⁰ Not printed.

for Foreign Affairs today. He assured the Embassy that the delay was exclusively of a bureaucratic nature and that he would immediately take the necessary steps to accelerate approval by the Senate.

In view of the assurances given to the Ambassador by the President of the Chamber of Deputies on September 16 (Embassy's 234, September 26, 6 p. m.²¹) a member of the Embassy staff called on him this afternoon and brought his attention to the fact that the agreement is still in committee in the Senate. He appeared to be greatly annoyed at the delay which he also characterized as purely bureaucratic and stated that he would immediately request the leader of the Government majority in the Senate to obtain approval as quickly as possible.

I am convinced that the delay, while irritating, does not signify any vital opposition and that the outcome will soon vindicate the policy of continued patience and persistence.

The matter has been, and is being, closely followed by the Embassy and developments will be reported.

FROST

611.3231/1074 : Telegram

The Chargé in Brazil (Frost) to the Secretary of State

RIO DE JANEIRO, November 14, 1935—4 p. m.

[Received November 14—2:35 p. m.]

292. My 291, November 14, 11 a. m.²¹ Treaty just unanimously approved by the Senate. Will probably be promulgated by the President of the Chamber of Deputies on Saturday, tomorrow being Brazil's national holiday.

FROST

611.3231/1075 : Telegram

The Chargé in Brazil (Frost) to the Secretary of State

RIO DE JANEIRO, November 18, 1935—5 p. m.

[Received November 18—3:55 p. m.]

295. My 292, November 14, 4 p. m. The President of the Chamber of Deputies, in accordance with constitutional requirements, has just promulgated our trade agreement.

As soon as arrangements are completed will cable Department for final authorization with respect to exchange of ratifications which will probably be effected by Ambassador Gibson who arrives Thursday morning.

FROST

²¹ Not printed.

611.3231/1084 : Telegram

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

RIO DE JANEIRO, November 29, 1935—5 p. m.

[Received 5:48 p. m.]

323. The Brazilian copy of the trade agreement submitted in advance by the Foreign Office for scrutiny prior to exchange of ratifications includes the exchange of notes of February 2 in clarification of article No. 6. However, the instrument of approval and confirmation furnished to the Embassy by the Department does not include reference to this exchange of notes. The Foreign Office has expressed willingness and desire to accept copies certified by the Embassy of this exchange of notes in conjunction with the American confirmation and approval. The protocol prepared by the Foreign Office will contain approximately the following language: "Trade Agreement together with two exchanges of notes dated respectively February 2 and April 17 annexed." The Brazilian Congress has approved not only the trade agreement and the exchange of notes of April 17, but also the exchange of notes of February 2 and therefore it will necessarily be included in the Brazilian instrument and so published.

As it seems highly desirable from an American standpoint that the exchange of notes of February 2 be included in the exchange of ratifications and officially published, I trust that the Department will authorize the above-outlined procedure.

GIBSON

611.3231/1084 : Telegram

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

WASHINGTON, December 1, 1935—1 p. m.

201. Your 323, November 29, 5 p. m. This Government regarded the notes of February 2 as interpretive and not requiring subsequent approval and confirmation by the President of the United States. The notes will be included with the President's proclamation in this Government's official publication of the Trade Agreement. The Department will be glad to have you furnish the Foreign Office the certified copies desired and sign the protocol of exchange including the sentence therein quoted in No. 323.

HULL

611.3231/1088 : Telegram

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

RIO DE JANEIRO, December 2, 1935—3 p. m.

[Received 3:35 p. m.]

332. My 323, November 29, 5 p. m. Ratification exchanged this afternoon as planned. Brazilian ratification dated November 30.²²

GIBSON

611.3231/1102a : Telegram

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

WASHINGTON, December 20, 1935—7 p. m.

215. Embassy's despatch No. 866 of November 26, 1935.²³ The report on the trade agreement, submitted by the Committee of Constitution, Justice, Education, Culture and Public Health, as transmitted in the Legation's despatch under reference, seems to indicate, in the section headed "The Most Favored Nation Clause," that the Brazilian Government does not contemplate extending to other countries, as a matter of policy, the tariff concessions granted the United States in the trade agreement. Although this is a matter to be determined solely by the Brazilian Government, the Department desires nevertheless to be fully informed concerning the policy adopted by the Brazilian Government in regard to the generalization of tariff concessions, as well as a list of the countries to which will be extended the tariff rates specified in the Brazilian-American trade agreement. Please report briefly by cable and forward supplementary report by airmail.

HULL

611.3231/1103 : Telegram

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

RIO DE JANEIRO, December 24, 1935—2 p. m.

[Received 2:35 p. m.]

349. Department's 215, December 20, 7 p. m. Policy of Brazilian Government on extension of tariff concessions not definitely adopted, but according to a memorandum presented to Federal Foreign Trade Council yesterday by Sampaio, with approval of Foreign Office, the probable action will be as follows.

The tariff concessions in our agreement will be extended beginning January 1st to all nations with which Brazil has commercial agree-

²² This agreement was proclaimed by the President of the United States December 2, 1935, effective January 1, 1936.

²³ Not printed.

ments containing unconditional most-favored-nation clauses. However, concomitantly the Brazilian Government will, on December 31st, denounce these agreements which exist mainly in the form of exchanges of notes negotiated by Mello Franco in 1931 and 1932²⁴ with some 32 or more nations. The agreements negotiated subsequent to January 1, 1934, will not be denounced, i. e. those with Portugal, Uruguay, France, the United States and Argentina, the latter not yet having been ratified by the Brazilian Congress.

The announced aim, however, is to utilize the denunciation of the unconditional most-favored-nation agreements similar to the Brazilian-American agreement. The Sampaio memorandum embodying the present official viewpoint of the Brazilian Foreign Office states forcefully that the object of the policy is to sweep away trade barriers and to continue the practice of the liberal commercial policy which Brazil has always followed. While Brazil feels constrained to denounce the agreements which have not produced the effects which were intended, the Brazilian Government holds the exclusive purpose of utilizing the periods of time between the denunciation and the actual lapsing of the various agreements to negotiate new accords in place of those denounced better calculated to establish and maintain favorable relations with the interested countries. Many of the agreements to be denounced will lapse in 3 months and all of them by the end of 6 months after denunciation.

I am informed that the British, Italian and German Embassies early last week addressed inquiries to the Foreign Office requesting information as to whether the Brazilian customs officers had been advised to extend from January 1st the same tariff concessions granted to the United States in accordance with the most-favored-nation clauses in their respective agreements. The Brazilian Government felt that some possibility existed of finding rational grounds for withholding the extension of the concessions but felt impelled not to enter upon such discussions but rather to grant the new rates and at the same time reconsider along better and more liberal lines Brazil's fabric of trade accords by denouncing those already in existence. The memorandum presented to the Federal Foreign Trade Council, which was presided over by President Vargas, met with general approbation by that body. It is to receive further discussion at a special session of the Council on the 26th instant and is likewise to be submitted to the governors of the various Brazilian states, as well as to the interested departments of the Government and to associations representing the various producing classes. This submission, however, is expressly made without prejudice to the immediate placing

²⁴ Afranio de Mello Franco, then Brazilian Minister for Foreign Affairs.

of the policy in effect on December 31st and January 1st if approved at the regular formal session of the Council on December 30th as is probable.

GIBSON

611.3231/1104 : Telegram

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

RIO DE JANEIRO, December 31, 1935—1 p. m.

[Received 1:25 p. m.]

355. Referring further to Department's 215, December 20, 7 p. m. Decree signed last night by President Vargas provides revisions of all Brazil's trade agreements except those concluded since January 1, 1934. Articles 3 and 5 provide definitely for the denunciation of the other agreements at dates to be chosen in the discretion of the Ministry of Foreign Affairs but in such a manner that all the agreements will cease to operate not later than July 30, 1936. Air mail despatch follows.

GIBSON

REPRESENTATIONS REGARDING AMERICAN BLOCKED FUNDS IN
BRAZIL²⁵

832.51/960 : Telegram

The Chargé in Brazil (Gordon) to the Secretary of State

RIO DE JANEIRO, January 2, 1935—midnight.

[Received January 3—2:16 a. m.]

1. Rumors became current this afternoon that the Minister of Finance together with various intervenors were in conference with the President of the Republic for the purpose of discussing suspension of the foreign debt funding plan.²⁶

I immediately communicated with Bouças²⁷ who confidentially informed me that the matter of suspension has been discussed in inner-governmental circles during the last week or so (see my letter of December 28th to Assistant Secretary Welles²⁸) and that, although he had not been officially advised as to the nature of the conference above referred to, he feared that suspension or drastic modification would be determined upon.

²⁵ For previous correspondence, see *Foreign Relations*, 1934, vol. iv, pp. 578 ff.

²⁶ See *ibid.*, pp. 602 ff.

²⁷ Valentim F. Bouças, director of the Brazilian Statistical Service, a member of the Brazilian Foreign Trade Council and Secretary of and Technical Representative of the Departments of Justice and Treasury on the Commission for Economic and Financial Studies of the Brazilian States and Municipalities.

²⁸ Not found in Department files.

It is only in the last hour that the Embassy has been able to get in touch with Souza Dantas²⁹ who while he would neither affirm nor deny that the suspension of the debt plan had been definitely decided upon, explained as follows the reason for today's meeting between himself, the President of the Republic, the Minister of Finance and the Governor General of Rio Grande do Sul who he said was only present as a close friend of the President: the non-transmittal of payments on certain state, federal and municipal loans due January 1st has caused inquiries from abroad; the states and municipalities in question have remitted the milreis due to the Bank of Brazil which however is unable to effect their transfer in foreign exchange. According to Dantas it was decided this afternoon that the foreign bankers should be informed of the foregoing and notified that when sufficient foreign exchange was available to meet these payments it would be supplied.

This explanation does not sound very convincing and coupled with the fact that Dantas clearly was trying to be as non-committal as possible without giving direct misinformation would seem to indicate a determination to abandon the present operation of the foreign debt funding plan.

GORDON

832.51/961 : Telegram

The Chargé in Brazil (Gordon) to the Secretary of State

RIO DE JANEIRO, January 3, 1935—4 p. m.

[Received 6:18 p. m.]

2. My 1, January 2, midnight. In further conversation this morning Souza Dantas reiterated and amplified his explanation of what transpired yesterday. He stated that no definite decision to suspend the debt plan had been arrived at but emphasized that recent coffee shipments had been so low that there simply had not been enough foreign exchange to satisfy the requirements of payments under the debt plan and for imports and backlog. He added that he was not in favor of sacrificing the two latter in favor of the former.

Although it is true that November and December coffee export figures have fallen off markedly and to that extent some color is lent to the excuse for the present default, the fact would still seem to remain that the possibility of being unable to continue the present schedule of payments under the debt plan is under intensive discussion by the responsible Brazilian authorities, there is considerable speculation here as to what part Aranha³⁰ has played in the discussions concerning

²⁹ Marcos Souza Dantas, Director of Exchange Operations of the Bank of Brazil.

³⁰ Oswaldo Aranha, Brazilian Ambassador in the United States.

suspension of the debt plan. In view of the close contact he is credited with having with the Department and of the fact that any impairment of the debt plan presumably would have an immediate repercussion upon the commercial treaty negotiations (let alone the fact that it is Aranha's own plan that is in question) it is supposed in some quarters that he probably had discussed this matter with the Department; from there it is not a long step to the suggestion that our Government would not offer serious objection to the suspension or at any rate the modification of the debt plan. While this latter is a loose one in which I do not attach any weight I still think it worth recording.

In any event I trust that for my guidance the Department will instruct me in the premises at the earliest moment possible.

Will Department please see that both this telegram and my telegram under reference are communicated to the Department of Commerce as the Acting Commercial Attaché collaborated in both.

GORDON

832.51/961 : Telegram

The Secretary of State to the Chargé in Brazil (Gordon)

WASHINGTON, January 4, 1935—1 p. m.

1. Your 2, January 3, 4 p. m. For your information and guidance, Aranha yesterday informed us of receipt of advices from his Government to the effect that while it had been impossible to remit funds for interest on British loans due January 1, funds had in fact been remitted for payment of American loans. He also assured us, after conversation on the telephone with the Brazilian Finance Minister, that there had been no decision to suspend or modify the debt plan and that it was merely a question of temporary shortage of exchange.

Later in the day we were advised from New York of the receipt by the paying agents there for issues due January 1 of advices from the Bank of Brazil that the states and municipalities had deposited milreis but the bank regretted that as no exchange was available it was unable to remit funds at that time; no indication was given when payments would be made. When we informed Aranha of this he was greatly disturbed, stated that he intended to communicate at once with his Government in order to clear up the misunderstanding and would advise us further today in the matter.

We have impressed upon Aranha the serious concern with which we regard this situation and our expectation that the Brazilian Government will be able to deny categorically the reports that it is intending to modify or suspend the debt plan.

For your further information, we understand that the Foreign Bondholders Protective Council cabled the Brazilian Finance Minister last night³¹ expressing the hope that the Council might be authorized by the Brazilian Government to announce to bondholders in the United States that remittances of foreign exchange for the January 1 coupons would be made as soon as exchange was available, naming if possible the date when such remittances might be expected; the Council also pointed out the importance to Brazil of maintaining the debt plan and expressed the hope that the Brazilian Government would announce its intention of fulfilling integrally the terms of the plan.

HULL

832.51/961 Suppl : Telegram

The Secretary of State to the Chargé in Brazil (Gordon)

WASHINGTON, January 4, 1935—5 p. m.

2. We are at a loss to understand how any serious shortage of exchange has arisen. The fact that recent coffee shipments have been low does not seem sufficient to explain the situation. In connection with this matter and our discussions here please see Souza Dantas again and request exact information as to present exchange situation and reasons which have brought about existing shortage.

For your own strictly confidential information conversations with Aranha give the impression of loose handling of the exchange control recently and of large remittances, about 14 million pounds, over the past few months by firms transferring funds from Brazil, e. g., transfer of some 4 million pounds by Canadian owned public utilities.

With reference to the Department's telegram No. 1, January 4, 1 p. m., you will please, unless you perceive objection, call upon the Minister for Foreign Affairs and in your discretion on the Minister of Finance in order to request information regarding the debt situation, making reference to the receipt by the paying agents in New York of advices from the Bank of Brazil that no exchange is available to make remittances for payment of January 1 service. You may say that this Government very much hopes that it may be found possible shortly to transmit funds for payment of these issues and furthermore that no difficulties may arise in the complete carrying out of the terms of the Brazilian foreign debt plan.

HULL

³¹ See Foreign Bondholders Protective Council, Inc., *Annual Report, 1935* (New York, [1936]), p. 26.

832.51/962 : Telegram

The Chargé in Brazil (Gordon) to the Secretary of State

RIO DE JANEIRO, January 5, 1935—1 p. m.

[Received 2:05 p. m.]

4. Department's 1, January 4, 1 p. m. and 2, January 4, 5 p. m. I have just seen Souza Dantas who stated that the total January 1st payments were remitted this morning.

The remittances due in January under the debt plan amount in rough figures to 706,000 pounds, 1 million dollars, 1.1 million paper francs, 70,000 florins, a total of approximately 930,000 pounds. In addition roughly 100,000 pounds are due as monthly service on the 1933 blocked credit agreement. In the last 3 months coffee exports have fallen by some 13 million dollars as compared with similar previous periods.

When I asked whether the situation might have been aggravated by recent substantial remittances of official exchange he categorically said no and reiterated that the present shortage was due solely to the foregoing factors.

I am seeing the Minister for Foreign Affairs at 2 o'clock.

GORDON

832.51/963 : Telegram

The Chargé in Brazil (Gordon) to the Secretary of State

RIO DE JANEIRO, January 5, 1935—6 p. m.

[Received 6:30 p. m.]

5. My 4, January 5, 1 p. m. I have just seen the Minister for Foreign Affairs and have explained to him that even if the January 1st payments were all remitted today our Government still would view this situation with serious concern; that it hopes and expects that the Brazilian Government can deny any intention of modifying or suspending the debt plan and that no difficulties will arise in carrying it out integrally.

During our conversation the Minister was informed that a full Cabinet meeting which had been convoked for this afternoon was awaiting his arrival. The Minister who had, therefore, confined his remarks to going over the same ground in explaining the delay in effecting transfer of the January 1st payments then left after making an appointment for Monday morning; he said that he hoped to be able to discuss the matter better with me on that occasion as undoubtedly the subject would be taken up at this afternoon's Cabinet meeting. It was apparent that he was in no position today to say the Government could deny reports that it intended or might find it

necessary to suspend or modify the debt plan, in this connection I should say the problem at the present time appears to be envisaged here as one between Brazil's commercial creditors as opposed to her financial creditors. Souza Dantas this morning frankly expressed his opinion that it was impossible to continue scheduled payments under the debt plan without materially reducing the amount of exchange available for current imports and backlog and again made it clear (see first paragraph my 2, January 3, 4 p. m.) that he was not in favor of such reductions. In this general connection I should say that Dantas this morning stated that yesterday he had been offered a 10 million dollars New York loan and this morning a Rothschild loan but he considered that a false way out of the difficulty and was definitely opposed to accepting these proposals.

GORDON

832.51/964 : Telegram

The Chargé in Brazil (Gordon) to the Secretary of State

RIO DE JANEIRO, January 7, 1935—2 p. m.

[Received 4:35 p. m.]

6. My 5, January 5, 6 p. m. I had an hour's conversation with the Foreign Minister this morning in which he explained at length the two currents of opinion within the Government which have manifested themselves at the various discussions which have been held between December 29th and today on the question of the service of the foreign debt.

Briefly, the situation is that Souza Dantas favors suspension of the operation of the debt plan, presumably until such time as sufficient exchange is available to resume it, while still taking full care of current import and backlog requirements. The Foreign Minister, on the other hand, holds that the fundamental factor in this problem is the economic situation; while the financial situation of the Government is bad at the present moment this must be regarded as transitory because the economic situation is not only good at this time but gives every promise of becoming better. In support of this view he points out that the Government, states, and municipalities had not simply failed to make the January payments but had deposited the necessary milreis when due, the only difficulty being to secure sufficient exchange for their transfer. Accordingly, he feels that were this situation to recur, the difficulty again would only be of a transitory nature; therefore if a modification of the debt plan should prove to be necessary it should only be in the nature of a postponement—and he hopes a very temporary postponement—of the installments due with no question of not eventually making the full payments scheduled under the plan. In this connection, in the light of his view as to the soundness of

Brazil's economic condition, he would not be averse to incurring a further obligation in the nature of a relatively short term credit which he feels could readily be liquidated in order to tide over the present moment of exchange scarcity due to decreased coffee exports and thus avoid any modification of the debt plan.

In his own mind, however, the possibility of such modifications seems clearly present for he has sent instructions to the Brazilian Ambassadors both in Washington and London stating that in order to show its good faith the Brazilian Government is prepared to have its Minister of Finance come to those capitals to discuss the matter fully and freely with the creditors.

The Foreign Minister stated that the Minister of Finance was still wavering between the two views above set forth and he did not indicate which view the President appeared to favor. The Foreign Minister further informed me that Souza Dantas last week had offered his resignation which the Finance Minister had refused to accept.

In short, nothing has yet been decided and for that reason no official announcement as to the Government's intentions is yet contemplated. The Foreign Minister made a further appointment for Wednesday morning coupled with the promise to let me know immediately if in the meantime there were any concrete developments.

GORDON

832.5151/486a : Telegram

The Secretary of State to the Chargé in Brazil (Gordon)

WASHINGTON, January 8, 1935—2 p. m.

3. Will you endeavor to ascertain by inquiry at the American banks and otherwise what the actual situation is at this moment as regards (a) the daily quotas of exchange being allotted to the American banks, (b) the average length of delay in securing the official exchange, (c) the condition of the free market, (d) any available estimates as to the recent increase or decrease in the total of American blocked balances.

Please cable your summary judgment and report more fully by mail.

HULL

832.5151/487 : Telegram

The Chargé in Brazil (Gordon) to the Secretary of State

RIO DE JANEIRO, January 9, 1935—2 p. m.

[Received 4 p. m.]

10. Department's 3, January 8, 2 p. m.

(a) The daily exchange quota of Rio branch of National City Bank, the only American bank in Brazil, is 14 mil 620 reis of which

13 mil 408 reis are devoted to payment of American bills. Quota of São Paulo branch of this bank is slightly less; no details immediately available for other branches. National City Bank has been promised maintenance of the quota throughout the month of January.

(b) At present time exchange is being closed on an average of 83 days after acceptance of sight drafts. Payment of exchange is running an additional 103 days. Whereas in latter part of November and beginning of December closing of exchange was slower due to smaller quota, payment was running nearer an additional 60 days only. The present slower payment is due to fact that no bills have actually been paid by Bank of Brazil since December 12 when it alleges a scarcity of exchange to have occurred but Bank of Brazil states that cash payment on bills is to be resumed immediately.

(c) The free market is active and has ample funds.

(d) Total blocked American credits in Brazil estimated at \$20,800,000 as of December 31st, 1934, as compared with \$22,600,000 as of November 30th. In this connection, please see Acting Commercial Attaché's economic and trade note numbered 184 of January 9th,³² being transmitted by air mail this week.

In connection with points (a) and (b) *supra*, please refer to Acting Commercial Attaché's "financial trends" reports of January 4 and 11.³²

Summary judgment.

If daily exchange quota is in fact maintained throughout this month it should permit closing of large quantity of bills and result in the situation in this respect being made more nearly current than has been the case for some months. On the other hand the advantage of quicker closing may well be offset by the Bank of Brazil's inability actually to make payment on closed exchange contracts as quickly as towards end of November; even if it sticks to its promise to resume cash payments immediately there is no way of telling how large these payments will be.

As I have tried to indicate in all my telegrams since the turn of the year the financial situation has been so nervous, and governmental inability to decide upon a clear and definite program so marked, that statements of intention have proven to be most ephemeral and must be received with great reserve, day to day developments being about all that one can deal with. The Embassy was informed last night by a high official who had just come from President Vargas that the latter had been won over to the view that the exchange regulations of December 3 (my 330, December 4, 6 p. m.³³) should not be disturbed but I am not prepared to vouch for the stability of this view even if the

³² Not found in Department files.

³³ *Foreign Relations*, 1934, vol. iv, p. 599.

information is entirely accurate. One thing that is definite is that English pressure with regard to these exchange regulations, as well as to debt plan questions, remains unabated.

GORDON

832.51/970 : Telegram

The Chargé in Brazil (Gordon) to the Secretary of State

RIO DE JANEIRO, January 9, 1935—7 p. m.

[Received 8:28 p. m.]

11. My 6, January 7, 2 p. m. I had further long conversation with Foreign Minister this afternoon during which I asked him exactly what course the Brazilian Government was instructing the Minister of Finance to pursue upon his arrival in the United States: was he to negotiate with the bondholders for a modification of the debt plan or was he to seek a credit and would his negotiations imply or tend toward the abrogation of the December 3 exchange allocation regulations of the Bank of Brazil.

The Foreign Minister stated that no concrete program had been or would be drawn up; that the Finance Minister would have full powers to discuss with you the whole Brazilian economic and financial situation and to consult with you as to the course Brazil should follow under existing conditions; the answer to the three questions above set forth would depend entirely on the course of the discussions with the State Department.

I reminded the Minister that no one in authority had yet been able to give me figures and facts explaining the alleged shortage of exchange which had brought about the difficulties in the operation of the debt plan and occasioned the sending of this financial delegation to the United States and afterwards to Europe, and pointed out that practically the first thing the delegation would have to do upon arrival would be to clarify this question with definite supporting data. The Minister agreed, but thought that in view of the haste which had characterized the last few days it was understandable that neither the Bank of Brazil nor the Minister of Finance should have been able to give this Embassy the desired material; he hoped, however, that during the 2 weeks' trip the delegation would be able to whip its material into proper shape for your digestion.

The Minister said that he thought he had succeeded in quieting the main opposition here to the tariff concessions requested by us, and in his view there should now be no real difficulty in concluding the treaty.³⁴

GORDON

³⁴ The trade agreement was accompanied by an exchange of notes which contained a stipulation in regard to payments on bonds; for texts, see pp. 340-341.

832.51/985

The Brazilian Ambassador (Aranha) to the Secretary of State

[Translation]

WASHINGTON, January 14, 1935.

MR. SECRETARY OF STATE: I have the honor of advising Your Excellency that the Government of Brazil, being desirous of having still closer relations between our two countries and of obtaining a more expeditious solution, in view of the present situation, to the reciprocal problems affecting our financial and economic relations, has decided to send to this country a special Mission.

2. This special Mission will be headed by Mr. Arthur de Sousa Costa, Minister of Finance, and will include, as Technical Advisers, Messrs. Sebastião Sampaio, Consul General, Chief of the Commercial Services of the Ministry of Foreign Relations, Marcos de Sousa Dantas, former Secretary of Finances for the State of São Paulo, and former Director of Exchange of the Bank of Brazil, and Paulo Frederico de Magalhães, employee of the Ministry of Finances.

3. Hoping that this special Mission will be agreeable to the Government of the United States, Your Excellency's kind instructions are requested so that the disembarkation of the members thereof may be facilitated when they arrive at New York on the *Western Prince*, on the 24th of this month.

I take this occasion [etc.]

OSWALDO ARANHA

832.5151/494 : Telegram

The Chargé in Brazil (Gordon) to the Secretary of State

RIO DE JANEIRO, January 15, 1935—2 p. m.

[Received 2:10 p. m.]

20. Rumors of yesterday afternoon that the allotment to banks of official foreign exchange would be suspended were officially confirmed this morning by the Bank of Brazil. This action is taken in spite of the promise made to the banks that their quotas would be maintained throughout the month of January (see my 10, January 9, 2 p. m.).

I have called upon the new Exchange Director of the Bank of Brazil who stated that this measure was necessitated by the confused exchange situation which he found confronting him upon assuming his new post. He said the measure was of a transitory nature and that allotments would be resumed when the bank had completed the general study of its exchange position involving all of its branches. He denies rumors current here that remittances yesterday of some £324,000 under the debt plan were partially responsible for this suspension of the quota.

Local banks yesterday received a questionnaire to be filled out in 24 hours showing their dealings in free market exchange from last May down to date.

I shall cable again later today. In the meantime I presume that the Department [apparent omission] wish to communicate with the National City Bank.

GORDON

832.5151/495 : Telegram

The Chargé in Brazil (Gordon) to the Secretary of State

RIO DE JANEIRO, January 15, 1935—7 p. m.

[Received 8:45 p. m.]

21. My 20, January 15, 2 p. m. Department will recall Aranha's telephone interview with the local press on January 10 (reported by American news agencies here and Embassy's despatch 530 of January 11³⁵) in which he expressed his disapproval of the December 3 exchange regulations and asserted that large remittances by private companies for interest and similar payments (necessarily effected on the free market) had interfered with the requirements for official exchange (see Department's 2, January 4, 5 p. m.).

These statements in the light of today's surprise measure and the questionnaire referred to in my 20, January 15, 2 p. m., suggested the following questions: When present suspension is terminated and exchange is again allocated to banks will it be on the percentage bases of December 3 regulations; is a further restriction of the free exchange market contemplated by putting cotton, cocoa and other major Brazilian export commodities in the same class as coffee, as producers of official foreign exchange.

As to the first question, the Foreign Minister has just told me that the December 3rd regulations will remain in force until the treaty³⁶ is signed after which the basis of exchange allocation will necessarily be altered and controlled by the operation of the treaty. Our conversation was a hurried one and the Minister had to amplify this statement. As to the second question he said that a step of this kind was not contemplated.

The foregoing does not add much to the facts in the case, and unfortunately as other conversations seeking to elicit authoritative information have only brought forth replies to the effect that the solution of all exchange questions is dependent upon the arrival of the financial delegation in Washington and its subsequent conversations there, it is more than ever clear that the Brazilian authorities are in a bad muddle concerning their exchange situation.

GORDON

³⁵ Not printed.

³⁶ Reciprocal trade agreement signed February 2, 1935; see pp. 300 ff.

832.5151/501

*Memorandum by the Economic Adviser (Feis) of a Conference With
Brazilian Representatives*

[WASHINGTON,] January 21, 1935.

There were present besides the Ambassador and Mr. Muniz,³⁷ Mr. Crane and Mr. Williams of the Federal Reserve Bank of New York; Mr. Hansen,³⁸ Mr. Heath,³⁹ Mr. Edwin Wilson⁴⁰ and Mr. Feis of the Department of State.

We had spent the morning preparing the basis of an agreement in regard to foreign exchange with the Brazilian authorities but it was decided that rather than advance our own ideas we would first endeavor to secure the Ambassador's regarding the nature of the agreement between the Federal Reserve Bank and the Banco do Brazil which was to come under discussion.

The substance of the discussion that occurred is as follows:

The Ambassador reiterated repeatedly that his Government had the strongest desire to regularize trade with the United States, to supply all the exchange necessary for both current trade and for the present deferred indebtedness due to American interests.

His first suggestion as to method was that the present deferred indebtedness should be cleared up by an advance either from the Federal Reserve Bank or from some other American bank, which advance should then be gradually paid off out of the receipts from the sale of coffee in the United States. As for the payment of current trade, he conceived an arrangement by which all dollar exchange accruing to the Banco do Brazil would be deposited in an American banking institution and used to pay current trade, the balances to be periodically limited to the Banco do Brazil—in short, a clear-cut unilateral clearing agreement.

We discussed both phases of this matter at some length and stated that our tentative point of view was rather to look forward to a gradual clearing up of the exchange indebtedness and for an immediate arrangement short of a clearing agreement—some such type of system of information and report as was outlined in the attached⁴¹ (which was not shown to the Ambassador).

It was left that we would formulate our ideas more definitely and discuss them with Mr. Welles tomorrow and would have something definite in shape for discussion with him on Wednesday morning.

³⁷ João Carlos Muniz, Commercial Counselor of the Brazilian Embassy.

³⁸ Alvin H. Hansen, Chief Economic Analyst, Division of Trade Agreements.

³⁹ Donald R. Heath of the Division of Latin American Affairs.

⁴⁰ Edwin C. Wilson, Chief of the Division of Latin American Affairs.

⁴¹ Not printed.

He wished to leave probably Wednesday night to meet the mission and before talking with them wanted to have definite proposals which he promised he would try in every way to have accepted.

832.5151/500 : Telegram

The Chargé in Brazil (Gordon) to the Secretary of State

RIO DE JANEIRO, January 22, 1935—6 p. m.

[Received January 22—5:35 p. m.]

23. My 20, January 15, 2 p. m. Allotments to banks of official foreign exchange is still suspended and Provisional Exchange Director of the Bank of Brazil, who is only a figurehead now, states openly that no decision in the premises will or can be taken until the arrival of the Finance Minister in the United States.

American business community here is becoming somewhat restive. Due to necessary deposits on due bills of milreis to cover official exchange which is not forthcoming some American representatives here inform me that they have already cabled suspending further shipments from the United States and others are seriously considering doing the same.

GORDON

832.51/986a : Telegram

The Secretary of State to the Chargé in Brazil (Gordon)

WASHINGTON, January 28, 1935—6 p. m.

11. For your information. The Brazilian Finance Minister and his party arrived in Washington the afternoon of January 24. They made a courtesy call on the Secretary of State the morning of January 25 and that afternoon we had an opportunity to hear the views of the Finance Minister. In brief, he stated that Brazil desired to reach mutually satisfactory agreement with the United States regarding our commercial and financial relations and for that reason had come to the United States first, and that whatever is agreed upon here will form the basis for arrangements made subsequently by the Mission in Europe. The Minister said that he was convinced Brazil could not continue to carry out integrally payments abroad of the various elements comprising her foreign obligations. He is inclined to favor a program comprising fulfillment of the debt plan, credits to pay off the backlog and then the lifting of exchange control. He feels credits are needed to handle the backlog and to prevent a sharp drop in the value of the milreis following lifting of exchange control with resultant

lowering of coffee prices and reduction of Brazil's capacity to purchase abroad. He recognizes such a program favors immediately foreign financial interests, British, more than foreign commercial interests, American, but believes it the best long term plan for Brazil and the United States. At the request of the Brazilians further meetings postponed until today, when we hope to obtain detailed information from Mission's data regarding exact situation.

HULL

832.5151/517

*Memorandum of Agreement With the Brazilian Representatives*⁴²

[WASHINGTON,] January 30, 1935.

Following instructions, we yesterday afternoon put before the Brazilian technical representatives the full substance of our thoughts in regard to exchange and financial relations between this country and Brazil. It was understood that this would be reported to the Finance Minister and to Ambassador Aranha, and that then today a preliminary effort to get agreement would be made at the conference between Mr. Welles and these officials.

The main aspects of the question that were discussed are three, as follows:

(1) *The question of the minimum safeguards and guarantees in the matter of exchange and financial policy that were considered by this Government adequate as part of the commercial agreement negotiations which are now being concluded between the two Governments.*

It was made clear that we regarded it as essential, no matter what general plan might be developed for the better handling of the Brazilian exchange situation, that we be given now, in connection with commercial treaty negotiation, safeguards in regard to the American interests concerned. It was explained that every effort had been made by us to state these safeguards in a minimum way so as to create the least possible difficulties for Brazil in her relations with other countries; and furthermore, in framing these requirements, we had thought to put them in a form which would in no way obstruct the development and application of a general plan aimed ultimately to bring Brazil's exchange situation into balance.

The minimum requirements were defined by us as follows:

(a) The inclusion in the trade agreement of the article already agreed on by both parties, guaranteeing unconditional most-favored-nation treatment in exchange matters to American commerce and nationals.

⁴² Prepared by Messrs. Fels, Wilson, and Williams.

(b) A reiteration by the Brazilian Government of its intention of maintaining—vis-à-vis American investors—the terms of the present Aranha debt plan.⁴³

(c) That in the light of the world situation and the possible effect of various bilateral agreements to which Brazil was or might become a party, whether willingly or otherwise, it was felt necessary to ask Brazil for a minimum allotment of exchange for the payment of goods imported from the United States. We suggested as a tentative form of minimum that the Brazilian Government should promise to furnish sufficient exchange to permit prompt payment for all imports from the United States, but that in order to safeguard Brazil against a conceivable expansion in that trade so great as to disturb its whole exchange situation, a maximum amount might be specified. This maximum we suggested might be defined as a percentage of the total goods imports into Brazil (after explaining that we did not wish to put forward a definitive figure at the moment, we mentioned, as an indicative figure, that of 30 percent—which was derived from the fact that the average proportion of American goods in the total of Brazilian imports during the nine previous years was 27 percent, and the three percent was added to permit some increase).

We then continued, that as part of the minimum requirement, some small additional allotment should be made to permit the gradual reduction in the present deferred indebtedness owing to Americans and again tentatively suggested that for this purpose the maximum specified might be elevated to, say, 33 percent.

It was explained that the condition that we sought was one whereby American current trade would be assured of full and prompt payment; whether this prompt payment came from the official market or from the free market we were not seeking to dictate; that would result from the system and terms of the exchange control which Brazil operated at any given time. For example, if the present exchange regulations were maintained in force, American trade should be guaranteed the prompt provision of the 60 percent of official exchange required under present regulations, which supplemented by the 40 percent procurable in the free market would permit prompt discharge of payment; if however the Brazilian Government shifted, let us say, to 50–50, as part of a general shift applicable to the trade of all countries, then the amount of official exchange to be provided American trade would vary correspondingly; or if Brazil should limit the control of the exchanges to amounts necessary only to meet funded debt and arrange that all payment for imports should be carried through the free market, the American trade would have to look to the free market for the necessary exchange.

These then in substance were our suggestions for defining the required minimum guarantees for current trade.

⁴³ See *Foreign Relations*, 1934, vol. iv, pp. 602 ff. For text of debt funding plan embodied in decree No. 23289, February 5, 1934, see *Diario Oficial*, February 7, 1934, p. 2689; a translation appears in *Foreign Bondholders Protective Council, Inc., Annual Report, 1934* (New York, [1935]), p. 36.

(d) In regard to the funds to be made available to American enterprises operating in Brazil (the amount of funds provided by the Brazilian exchange control in the past to such enterprises, both American and foreign, has been an item of very considerable importance in their balance of payments—estimated to have been £15,000,000 during 1934), a promise shall be given that the treatment they are to receive in exchange matters should be no less favorable than that accorded to enterprises of any third country in Brazil.

(e) It was understood that in order that we might have current assurance that these minimum requirements were being carried out, and that in order that we could satisfy American interests that they were being given proper protection, a plan of information and report should be put into effect between the Federal Reserve Bank of New York as fiscal agent of the American Government and the Banco do Brazil, providing for a system of full report on all transactions between Brazil and the United States.

The above made up the main substance of our statement of American requirements. The thought was that these should be embodied in notes or other suitable forms and agreed upon as part of the commercial treaty negotiations. It appears to us that they can and should be proceeded with at once; discussions regarding the other matters treated below can be continued at the same time.

(2) *Discussion with the Brazilian Technical Representatives of possible General Solutions of the Exchange Control Problem.*

After setting forth our minimum requirements as outlined above, and making it clear that we would expect them to apply under any plan for exchange control which Brazil might adopt, we discussed informally with the Brazilian technical representatives some possible general solutions of the Brazilian exchange problem, and we received from them a promise that they would today submit to us two alternative types of solution. These two types are

- (a) A plan for lifting the control entirely and immediately;
- (b) A plan for relaxing the control by definite stages.

Under the first plan, Brazil would require the coffee exporters or their banks to turn over to the Banco do Brazil a percentage of their coffee bills (perhaps 20 percent) at a fixed rate of exchange, a percentage sufficient to cover the public debt service under the Aranha agreement of February 1934 and of the Congelado notes of 1933,⁴⁴ and in addition to provide service and gradual payment of any new credit obtained to liquidate the deferred commercial indebtedness. All other exchange would be disposed of in the free market to which all exporters to Brazil would have free and equal access. Dr. Souza Dantas now appears to prefer this solution, but advances one objection to it, namely, that with the Brazilian balance of payments now displaying a net debit of about £8,000,000 which would be increased

⁴⁴ *Foreign Relations*, 1933, vol. v, pp. 56–57.

to £10,000,000 if provision were made for gradual liquidation of the deferred commercial indebtedness, an immediate and complete freeing of the exchange market would result in severe depreciation of the milreis, which would not only raise prices of Brazilian imports, which might have serious social and political repercussions in Brazil, but might also result in a pronounced fall in the price of coffee. To prevent such an occurrence, he therefore suggests that an approximate balance should be assured by the reduction of the private financial remittances. These in the past year have been unduly large (£15,000,000) and appear to be a principal reason for the present collapse of the exchange control system.

We reserve judgment on the feasibility of this solution, pending Souza Dantas' more formal presentation today, but were inclined to agree that any form of solution must include a substantial reduction of private financial remittances.

Under the second general plan there was discussed the gradual freeing of the exchanges. Brazil might still, for example, use 60 percent of control exchange and 40 percent of free exchange and then alter these percentages by definite stages so as to have a completely free market within a definite period of time (say a year). This plan would be based on:

- (a) reduction of private financial remittances;
- (b) no further accumulation of deferred commercial indebtedness;
- (c) the gradual depreciation of the milreis.

Under this plan, the arbitrary reduction of private financial remittances would be a principal safeguard both against further accumulation of deferred commercial indebtedness and undue depreciation of the milreis. Some depreciation, however, would clearly be necessary in order to provide protection against undue expansion of imports, and it is probable that a gradual depreciation would also result in some export trade expansion. Under this plan the Brazilians could control the amount and the rapidity of depreciation of milreis by adjusting the amounts of exchange placed on the free market.

Discussion of these two types of solution was general and informal, but we made it unmistakably clear that Brazil would have to accept the entire responsibility for any plan she might adopt. It was also understood that the adoption of either plan assumed a credit to clear up the deferred commercial indebtedness, and in that connection it was pointed out that the lenders would doubtless insist upon a voice in the establishment and operation of any plan which Brazil might adopt, and might well insist upon having a financial adviser or supervisor on the ground in Brazil. We also made it clear that the

failure of any such plan to work satisfactorily as indicated, for example, by further commercial debt accumulations, would leave us free to denounce the exchange clause of the agreement and take such unilateral action as was considered necessary to safeguard the American interest.

With respect to liquidation of the deferred commercial indebtedness, it was pointed out that the lender might prefer a plan for gradual liquidation over a period of, say two years, the payments to be conditioned upon satisfactory functioning of the Brazilian exchange administration, and adjusted to the development of the situation stage by stage.

III. It must be recognized and in our discussion yesterday we made it clear to the Brazilian representatives that it was recognized that the terms of agreement and general suggestions discussed under parts I and II of this memorandum would still leave American interests exposed to a certain amount of risk and uncertainty. We were inclined to accept these risks and uncertainties for the sake of minimizing Brazil's difficulties of adjustment vis-à-vis third countries and also with the idea of upholding, as far as circumstances permitted, the liberal approach to this problem.

Risks lay in two possibilities:

(a) That the set of main requirements were designed in somewhat general terms and their fulfillment rested completely upon the action of the Brazilian authorities; we had avoided anything in the nature of a clearing agreement which would create a safeguarded minimum of exchange for American interests. The most complete observation of the set of main requirements would be necessary to secure for American interests the reasonable minimum we have striven to define.

(b) In the event that Brazil, either as part of a general plan such as discussed in sub-Section II or otherwise, proceeded towards the liberation of such control, the payment which American commerce would derive from the free exchange market would naturally be subject to the rate prevailing in the free exchange market. Brazil might proceed at the same time as its exchange market is being liberated to enter into special bilateral agreements with other countries whereunder, in return for Brazilian goods, imports from these other countries would be arranged. It was by no means impossible that the extension of such special bilateral agreements might work seriously to the disadvantage of American exporters to Brazil; they would naturally depend largely upon the extent of these special agreements and upon their nature.

Such a difficulty would be quite liable to arise out of the incompatibility of a policy of free exchanges and one of direct bilateral commodity interchange arranged by governments (an incompatibility with which we are faced in the whole development of our commercial agreements program). In the event that future agreements of this kind would produce this unfavorable situation for American

commerce we stated that we would no doubt be moved to raise the question seriously with the Brazilian Government for the purpose of seeking an adjustment that would be equitable to American interests; this might or might not involve a modification of the minimum requirements defined under sub-Section I. As a last recourse, we pointed out that the protection of American interests would lie with our right to denounce the exchange clause of the commercial agreement in sixty days and take unilateral action for that purpose.

IV. We believe one aspect of Brazilian policy might well be commented upon separately—the possible questions created by an expansion of Brazil's military program and purchases abroad for that purpose. This is brought to the front not only by rumors that during the past year Brazil's purchases abroad for that purpose was substantial but also by the fact that there was apparently awaiting signature in Brazil now an agreement with Italy whereunder Italy would build battleships in return for Brazilian products, and this morning's paper carries a story to the effect that a similar arrangement with the British is under discussion.

Such transactions have a multiple bearing upon the questions discussed in the preceding. In so far as Brazil undertakes to utilize such transactions as a method of expanding exports of commodities which it is seeking to develop, such as cotton, it raises a question of possible harmful competition with our own exports of such products. Moreover, in so far as Brazil does import such supplies and pays for them with exchange, such action would aggravate the exchange disequilibrium with harmful results for American commercial and other interests in Brazil. It is difficult, for example, to see how Brazil can effect any restriction of her total import trade such as may well be necessary, if the exchange market is to be free, so long as the Government itself insists upon making large foreign expenditures for military purposes. Such a course would result either in piling up further deferred commercial indebtedness or in so severe a depreciation of the milreis as would raise Brazil's import prices unduly and perhaps result in social and political disturbances. Whatever the result, it seems clear that American interests would be adversely affected.

832.5151/506½: Telegram

The Secretary of State to the Chargé in Brazil (Gordon)

WASHINGTON, January 31, 1935—6 p. m.

13. Your 28, January 30, 1 p. m.⁴⁵ last paragraph. On January 28 we spoke to Aranha and the Finance Minister regarding the concern which American interests doing business in Brazil are manifesting

⁴⁵ Not printed.

concerning the suspension of allotments of official exchange. We urged that steps be taken to resume allotments for American interests, or at least that assurances be given by the Brazilian Government that this will be done at an early date. The Finance Minister said that immediately upon the reaching of an agreement in Washington regarding the Brazilian exchange problem the flow of official exchange would be resumed for American interests and that in the meanwhile he would cable his Government urging that adequate assurances be given American interests. He informed us yesterday that he had in fact so cabled.

HULL

Executive Agreement Series No. 82
611.3231/961

The Brazilian Ambassador (Aranha) to the Secretary of State

[Translation]

No. 11

WASHINGTON, February 2, 1935.

MR. SECRETARY OF STATE: Animated with the purpose of making article VI of the trade agreement between Brazil and the United States of America, signed today,⁴⁶ perfectly clear, my Government has authorized me to advise Your Excellency that, so long as there may be any need for it to maintain the present control over foreign exchange, it interprets the promise contained in the said article as follows:

I. The Bank of Brazil will furnish sufficient exchange for the payments, as they become due, for all future importations of American products into Brazil; moreover, the Bank of Brazil will provide sufficient foreign exchange for the gradual liquidation of the American commercial debts now in arrears, it being understood that the Bank of Brazil will establish a system of payment under which the amount of foreign exchange required for the purposes mentioned shall not be less than a percentage calculated in accordance with the share represented by American goods in total Brazilian imports during the past 10 years, but slightly increased in order that the purposes contemplated by the new trade agreement may be accomplished;

II. With respect to transfers of profits and dividends of American companies operating in Brazil, my Government cannot, until the situation becomes normal, do more than promise that such companies will receive treatment never less favorable than that which is enjoyed or which may be enjoyed by any foreign companies established in the country;

III. My Government suggests the cooperation of the Bank of Brazil with the "Federal Reserve Bank" of New York (or any other

⁴⁶ Executive Agreement Series No. 82.

institution which the Government of the United States of America may indicate), in the sense of inaugurating a foreign exchange information service, affording greater knowledge of the situation of each of the two countries with relation to the other and, in this way, intensifying the exchange of products between them;

IV. If, as it hopes, the negotiations in progress for obtaining banking credits should come to a happy conclusion, the Brazilian Government will reserve from the foreign exchange at its disposal that necessary to meet the payment, to the holders of bonds of loans negotiated in the United States of America of the sums fixed by the plan of February 5, 1934, for payment of debts.

I wish to add that the Bank of Brazil will continue to meet, as hitherto, the obligations assumed in June, 1933, for the refunding of the deferred commercial debts in arrears existing at that time.⁴⁷

I avail myself [etc.]

OSWALDO ARANHA

Executive Agreement Series No. 82
611.3231/961

The Secretary of State to the Brazilian Ambassador (Aranha)

WASHINGTON, February 2, 1935.

EXCELLENCY: I have the honor to acknowledge the receipt of Your Excellency's note of this date.

My Government welcomes the declaration of the Government of Brazil contained in Your Excellency's note under acknowledgment in connection with the arrangements for the development of trade between the United States and Brazil embodied in the new Commercial Agreement between the two countries and has taken note of the determination of the Government of Brazil to resolve in so satisfactory and orderly a manner matters involving foreign exchange between the two countries.

The security in exchange matters these assurances will give to trade between the two countries should greatly assist in the development of that trade. They appear to this Government to be both reasonable and moderate and in no way to obstruct such plans or efforts as the Brazilian Government may wish to carry forward in furthering a liberal exchange policy.

Your Excellency will, of course, appreciate that the proffer by Your Excellency's Government of these assurances as contained in Your Excellency's note above referred to is not construed by this Government as modifying or affecting in any way the rights of American holders of Brazilian bonds issued in the United States.

I avail myself [etc.]

CORDELL HULL

⁴⁷ See *Foreign Relations*, 1933, vol. v, pp. 30 ff.

611.3231/779a : Telegram

The Secretary of State to the Chargé in Brazil (Gordon)

WASHINGTON, February 7, 1935—5 p. m.

17. Department's 15, February 4, 7 p. m.⁴⁸ Cable whether Exchange Control has resumed allotments of official exchange for imports from United States in accordance with the terms of the exchange of notes.⁴⁹

HULL

832.5151/516 : Telegram

The Chargé in Brazil (Gordon) to the Secretary of State

RIO DE JANEIRO, February 8, 1935—noon.

[Received 2 p. m.]

32. Department's instruction No. 263 of January 28.⁴⁸ Two weeks ago local American Chamber of Commerce sent out questionnaire addressed to its members and to members of São Paulo Chamber seeking to establish the amount of what might be termed new frozen American credits resulting from Bank of Brazil's recent exchange measures. As usual, members were loath to disclose their position and replies were so slow in coming in that figures were not worth telegraphing prior to departure of Brazilian Mission from Washington. However, more answers have now filed in and in view of the suggestion set forth in first full paragraph of page 3 of the Department's instruction under reference may still be of interest.

The round figure totals resulting from the answers given are as follows:

"Milreis on deposit against collections awaiting exchange to be closed" 105,000 contos or 9.25 million dollars.

"Milreis on deposit against collections on which exchange has been closed" 66.6 thousand contos or 5.66 million dollars.

"Back-log of quotas corresponding to open accounts awaiting official exchange" 60.8 thousand contos or 5.17 million dollars.

I do not feel certain that the amounts in this last mentioned category can all be classed as "new" frozen credits though undoubtedly a large part of them can.

In addition, though having nothing to do with new credits, the questionnaire contained a fourth category entitled "balance of notes held under unfreezing arrangement of June 1933 the total figures therein being 112.6 thousand contos or 9.59 million dollars.[""]

The above figures were compiled from 64 answers which were all that were received from upwards of 100 members who were addressed;

⁴⁸ Not printed.

⁴⁹ *Supra*.

however, these answers include the most important American interests here and it may perhaps roughly be estimated that the figures in the first three categories represent some 80% of the real totals.

GORDON

611.3231/780 : Telegram

The Chargé in Brazil (Gordon) to the Secretary of State

RIO DE JANEIRO, February 8, 1935—2 p. m.
[Received 2:47 p. m.]

33. Department's 17, February 7, 5 p. m. Throughout this week I have been pressing upon the Foreign Office and the Exchange Director of the Bank of Brazil the consideration that in spite of the promises of the Finance Minister given as far back as January 28 (Department's 13, January 31, 6 p. m.) and the fact that the exchange of notes was effected last Saturday neither a resumption of official exchange allotments nor assurances with respect thereto have been forthcoming.

The matter, however, seems to have passed into the hands of the President now in Petropolis who yesterday and today has been conferring with the President of the Bank of Brazil and the Exchange Director who in turn has been telephoning New York; the requisite action on the part of Brazil may therefore perhaps be imminent.

In any event I again saw the Minister for Foreign Affairs this morning and urged upon him the prejudicial effects which must necessarily be caused by the failure of the Brazilian authorities to carry out the simple and precise terms of a newly signed international agreement. The Minister agreed with this view and promised to inject himself again into the matter immediately; he hopes to give me a further answer this evening or tomorrow morning.

The matter is another illustration of the situation set forth in the first two paragraphs of my 25, January 25, 7 p. m.⁵⁰

GORDON

832.5151/536

*Memorandum by the Economic Adviser (Feis) of a Conference With
Brazilian Representatives*

[WASHINGTON,] February 8, 1935.

Along with Mr. Crane and Mr. Williams of the Federal Reserve, I met the Brazilian Ambassador and Dr. Souza Dantas, the Director of the Exchange Control, at the Federal Reserve Bank of New York yesterday.

⁵⁰ Not printed.

The purpose of the meeting was to discuss the ways and means for putting into effect the system for exchange of information and reports provided for in the exchange of notes between this Government and the Brazilian Government which accompanied the signing of the commercial agreement.

About this subject I will dictate another memorandum.⁵²

I took advantage of the meeting to seek information regarding several other questions in the foreign exchange field:

(1) I asked whether the allocation of exchange to American interests had been resumed now that the agreement was signed—emphasizing the handicap that American trade was suffering by a complete cessation of allocation and the fact that a new deferred indebtedness was being thereby created. The Ambassador said that allocation had not been resumed. The reason he gave was that he and the Finance Minister had been in steady communication with their Government and had proposed a major step in the direction of freeing exchange control. The proposal was under consideration by his Government and if accepted, he said would lead to the publication of the necessary orders Saturday,⁵³ and the putting into effect of the new plan next Monday. He was awaiting final word from his Government now as to whether this would or would not be done, and I arranged to telephone him late Friday morning to find out whether the final decision had been received.

The plan under consideration would be to permit all Brazilian exporters to sell their exchange in the free market, except for a small percentage to be turned over to the Banco do Brazil and used by them to meet the service of the Congelado notes and the February 1934 Aranha debt agreement (approximately 20 percent). Then in the future all trade was to look to this free market for foreign exchange.

A choice would be presented to the holders of the present deferred indebtedness to go into the same free market to secure exchange, or simply to wait until the 60 percent due them under the present exchange regulations became available as a surplus over what was necessary for the Congelado notes and the debt payments (which might cause them to wait a very considerable time, depending upon how the amounts of available exchange were shuffled about). The Ambassador with his usual optimism felt that this plan would work without involving any lowering of the value of the milreis; in fact, he thought that the value might actually rise. It is apparent that a large element in the calculations of the Brazilians is in the future receipts from the sales of cotton, which he estimated for 1935 at £8,000,000.

⁵² Dated February 8; not printed.

⁵³ February 8.

(2) He stated that he had not found it possible to arrange with the commercial banks for a loan to fund present deferred indebtedness. Personally he was not in favor of such an arrangement anyhow. But upon his return to Washington next week he would wish to talk with us informally on the possibility of getting a loan through some governmental or semi-governmental agency; I said we would be glad to discuss the matter with him.

(3) I told him that when I left Washington the Department felt somewhat disturbed over the divergencies between the text of the note which we understood the Brazilian Government was going to send us on the exchange control and the text actually received; he said he knew this, and that Freitas-Valle⁵⁴ had sent him a revised text which he had just signed, and which he was sending to the Department the next day (today).⁵⁵ I was not certain from his tone of voice as to whether the new text would conform in all respects to what our understanding of the substance of the note was to be.

(4) He said that the mission was going to sail Saturday and would spend only six days in Europe.

NOTE: If the new plan described under (1) is put into effect, and works successfully, exchange would be available for current trade. But how well the American bondholder and those now having deferred indebtedness would fare remains highly uncertain, depending on the amount of official exchange that becomes available. I think it will be highly desirable that as soon as the new plan is announced—if it is announced—we address another communication to the Brazilian Government through the Ambassador, taking note of the change in policy, perhaps even expressing the judgment that it is a step in a desirable direction, and also again state that we expect American interests now holding deferred indebtedness and the American bondholders to receive full consideration (by which I mean, in the case of the latter, full payment of the present debt arrangement). If the new plan is not put through, I believe we should immediately ask the Brazilian Government to resume allocation of the 60 percent of official exchange.

832.5151/520: Telegram

The Chargé in Brazil (Gordon) to the Secretary of State

RIO DE JANEIRO, February 9, 1935—1 p. m.

[Received 2:35 p. m.]

34. My 33, February 8, 2 p. m. Minister for Foreign Affairs fully complied with his promise mentioned in penultimate sentence of tele-

⁵⁴ Minister-Counselor of the Brazilian Embassy.

⁵⁵ Not found in Department files.

gram under reference. He telephoned to the President yesterday evening informing him of the repeated representations I have made and of the Department's inquiry as to whether official exchange allotments had been resumed. However, Bank of Brazil officials returned from Petropolis without instructions to take necessary action. This morning Foreign Minister took the unusual step of going himself to see the Exchange Director in an effort to explain to him the necessity of taking such action.

Foreign Minister has now requested President to come to Rio de Janeiro Monday to preside over weekly meeting of the Federal Foreign Trade Council at which Foreign Minister intends to go into the question fully, making clear how embarrassed he has been by the failure of Brazilian Government to take requisite action and to insist upon a show-down. The President has agreed to come.

GORDON

832.5151/521a : Telegram

The Secretary of State to the Chargé in Brazil (Gordon)

WASHINGTON, February 9, 1935—4 p. m.

20. The Department is informed by Aranha that he and the Minister for Finance have submitted to the Brazilian Government a new plan of exchange control and allocation which, if accepted, will be promulgated at once today in fact. Details of the plan were not communicated. Please cable summary of new plan, if adopted, and your views as to its effect on American interests.

The Department is considering advisability of further communication with the Brazilian Government in which it would set forth its anticipations of the exchange treatment to be given American interests in accord with the exchange of notes and under such arrangements as may be installed by the new exchange plan mentioned above. It is giving thought to the wisdom of including in such communication a direct request dealing with the deferred indebtedness due to Americans which has arisen as a direct result of the most recent suspension of exchange allocation by Brazil. Therefore it is interested in the figures given in your No. 32 of February 8, but uncertain as to their meaning. What is meant by "new" frozen credits? Can you distinguish amounts that have arisen "resulting from Banco do Brazil's recent exchange measures" from other frozen credits? It might be both reasonable and feasible to ask the Brazilian authorities to give special consideration either to (a) the amount of new credits which entered the deferred class during the period of discussions or (b) the amount of obligations incurred for imports from this country during

the period of discussion. Therefore figures separating these credits from all other deferred credits would be of great use. Can the figures which you transmit in your 32 be taken as throwing any light on this question?

HULL

832.5151/527 : Telegram

The Chargé in Brazil (Gordon) to the Secretary of State

RIO DE JANEIRO, February 14, 1935—6 p. m.

[Received 8:22 p. m.]

39. Department's 20, February 9, 4 p. m. Exchange Director informed Embassy this afternoon that payments against American backlog were actually resumed yesterday though in very small amount (approximately \$20,000) due to a debt plan payment of \$878,000 due today. He stated that approximately \$30,000 will be allocated tomorrow and that payments will be accelerated as much as possible next week. In this connection, he repeated his statement of last Monday that the spirit of the exchange of notes of February 2, would be strictly adhered to. He added that the backlog would be liquidated on a 60 percent official and 40 percent open market basis as heretofore.

Expect to cable further tomorrow.

GORDON

832.5151/529 : Telegram

The Chargé in Brazil (Gordon) to the Secretary of State

RIO DE JANEIRO, February 15, 1935—6 p. m.

[Received 8:55 p. m.]

41. My 39, February 14, 6 p. m. and Department's 20 February 9, 4 p. m. As to probable effect of new regulations on American interests: With all imports having to be covered in the free exchange market the natural tendency will be for the milreis to weaken and there would seem to be some temptation for the Brazilian authorities to let this tendency go unchecked to a certain extent as a sop to Brazilian exporters of goods other than coffee (especially cotton) who sell their goods in foreign currency prices and heretofore have received full proceeds of their bills. To the extent such a policy is pursued, Brazilian importers obliged to pay more milreis for articles purchased from the United States will curtail such imports.

On the other hand, there is of course a realization of the evil of a sharp and sudden drop in the milreis and my guess would be that

the policy above indicated will not be pursued very far. When it is felt that the Brazilian exporters in question have received sufficient compensation through milreis depreciation the Bank of Brazil may well step in with a more active control of the supply of free market exchange. An administrative circular issued to banks last night concerning the operation of the regulations of February 11 provides that commercial applications for free market exchange will only be granted automatically if the documents prove that it is to cover imports; if the intended remittance covers profits or dividends the desired exchange can only be procured upon the explicit consent of the fiscal authorities. Although the Exchange Director informs me today that this measure is only for the purpose of keeping a more accurate record of such remittances as well as providing a means of proof that disguised capital transfers are not being effected, I am still inclined to feel that if the milreis gets too much out of hand this measure will be utilized by the Bank as a means of substantive control of the free market.

There is also always the rather unpleasant possibility that the Bank might decide to use some of its exchange accumulated at official rates as a stabilization fund in active support of the milreis.

Moreover, if some kind of a credit were secured to be diverted to the liquidation of the entire backlog, European as well as American, this should tend to keep the milreis steady and to avoid the curtailment of imports pending such time as exchange control could be completely lifted. I gather that the Brazilian financial mission may have reached tentative agreements with bankers in the United States for a credit to be applied to the liquidation of this backlog conditioned on similar agreements being reached in Europe, primarily in London. However, this is necessarily only my inference and belief, and any definite information the Department can give me as to the activities of the Brazilian mission in connection with obtaining a credit will be of great assistance.

The bulk of American representatives here are primarily interested in imports from the United States and they of course would welcome the clearing up of their backlog by some such credit operation as would enable them to take Bank of Brazil notes for their milreis now tied up on deposit against uncollected bills if these in turn could be discounted, preferably with the Export and Import Bank, without recourse to the importer, to the maximum amount legally permissible (which I understand is 80 percent); they also would naturally like to have this credit operation provide for a lien upon a portion of the dollar exchange created by our purchases from Brazil and I think the more enlightened of them realize that an international loan to clear up the whole backlog would be preferable and therefore that if such a lien

were applied to dollar exchange it would equally have to apply to other foreign exchange created by purchases from Brazil.

If a credit operation of this or any other nature to clear up the backlog were only to be liquidated in 3 years or upwards when the Bank of Brazil by using all its available exchange might clear up the backlog in 2 years the Bank would clearly have that much more leeway to use its exchange reserve to support the milreis in the open market.

I have gone into this matter at some length in order to try to give the Department the picture as fully as I have been able to work it out throughout this week, but I may sum up succinctly by saying that as far as I can see now the adoption of these new regulations should not prove unduly adverse to American interests.

GORDON

832.5151/529 : Telegram

The Acting Secretary of State to the Chargé in Brazil (Gordon)

WASHINGTON, February 16, 1935—2 p. m.

25. Your 41, February 15, 6:00 p. m. We are informed that the Brazilian Mission conferred with various banking interests in New York, but left without having obtained promise of a credit to liquidate deferred balances. For your confidential information, the National Foreign Trade Council has been discussing with the Export-Import Bank the possibility of the latter's discounting notes which might be issued by the Bank of Brazil to Americans for their deferred balances in Brazil. The attitude of this and other Departments of the Government, which would have to be consulted with regard to such an arrangement, can not now be stated. The Department will keep you advised of developments in this situation.

PHILLIPS

832.5151/532 : Telegram

The Chargé in Brazil (Gordon) to the Secretary of State

RIO DE JANEIRO, February 20, 1935—noon.

[Received February 20—11:47 a. m.]

45. My 41, February 15, 6 p. m. Rio and São Paulo American Chambers of Commerce have sent a telegram to the National Foreign Trade Council urging American initiative in American-European loans to take care of entire Brazilian backlog.

I am informed that various American representatives here have requested their home offices to urge their respective trade export associations to approach Aranha with a view to securing definite assurances as to resumption of supply of official exchange to be applied

to our backlog here. The thin stream of supply mentioned in my 39, February 14, 6 p. m., has apparently dried up again and it looks more and more as though there were an intention and desire to delay the resumption of official exchange supply just as long as possible, preferably presumably until the Brazilian mission has rounded out its negotiations with a view to securing credit.

Hope to cable further on this question of exchange supply tomorrow or the next day.

GORDON

832.5151/534 : Telegram

The Chargé in Brazil (Gordon) to the Secretary of State

RIO DE JANEIRO, February 22, 1935—6 p. m.

[Received 8:07 p. m.]

49. My 45, February 20, noon. The promise reported in the Department's 13, January 31, 6 p. m., as to the resumption of the flow of official exchange has not been made good.

As the Department is aware the first excuse for nonresumption was the formulation of the new exchange regulations published on February 11. The excuse throughout the ensuing week was that a few days' study would be required before these regulations could be put into smooth operation.

This week the Exchange Director has no more excuses to offer but although he has been specifically and repeatedly pressed at least to indicate when resumption may be expected he has confined himself to stating that he was going to take the matter up with the President, that he has discussed the matter with the President, and that he is quite unable to give any such indication.

The small payments reported in my 39, February 14, 6 p. m., have not been followed up by an accelerated flow of official exchange and the Exchange Director's further assertion that the spirit of the exchange of notes of February 2 would be strictly adhered to does not at present appear of much value. The situation again resembles that set forth in my 33 February 8, 2 p. m., and I am strengthened in my belief that the President's persistence in this procrastination is motivated in the sense indicated in the penultimate paragraph of my 45 February 20. The local press this morning reports that the financial mission will not leave Europe until March 8; from the present indications it would appear that the Brazilian authorities will attempt to drift along until at least that time if not until the mission reaches here two and a half weeks later without resuming allotments of official exchange. Not the least significant factor of the situation is the creation of an apparently substantial exchange reserve, for it still remains true for all practical purposes that no actual official exchange has been supplied by the

Bank of Brazil on exchange cover contracts since December 12 (see my 10 January 9, 2 p. m.).

GORDON

832.5151/584 : Telegram

The Acting Secretary of State to the Chargé in Brazil (Gordon)

WASHINGTON, February 25, 1935—7 p. m.

29. Your 49, February 22, 6 p. m. We have discussed this situation with the Brazilian Ambassador. His view is that the preferable solution is for the Bank of Brazil to take the time necessary to obtain accurate information as to the existing deferred commercial indebtedness and to work out a sound plan for the orderly and gradual liquidation thereof. The only other feasible solution in his view is a credit operation with the Export-Import Bank, but he prefers gradual liquidation of this indebtedness without the necessity of resorting to a credit. He argues that it would be most unwise to begin immediately small payments for the liquidation of the commercial indebtedness, as to do this without first obtaining accurate information and adopting an orderly plan would merely increase the existing confusion. He showed us a cable sent to his Government on February 12 urging that a plan be adopted for obtaining the necessary information within a period of 45 days, at the end of which period allocation of exchange for the deferred commercial indebtedness would be begun. He pointed out that during this period the Bank of Brazil would of course be building up a reserve of exchange which would permit payment at an accelerated rate.

We said that we did not feel that we could argue against the Ambassador's view as to the best solution of this problem, although we pointed out that a 45-day period for obtaining information and setting up a plan was a long period and that pressure on the Department and criticisms from American companies would become very strong during this time. We asked whether the Brazilian Government might not find it possible to make announcement of a definite date on which exchange would begin to be made available for liquidation of this indebtedness. The Ambassador agreed that this would be helpful and said that he would suggest it to his Government, as well as inquire whether steps had yet been initiated to obtain the necessary information and to set up an orderly procedure to deal with this matter. We indicated that if pressure should become too great because of delay in making exchange available we might find no other course open than to suggest consideration of a credit operation with the Export-Import Bank, in view of his expressed willingness to give such consideration.

PHILLIPS

832.5151/534 : Telegram

The Acting Secretary of State to the Chargé in Brazil (Gordon)

WASHINGTON, February 28, 1935—7 p. m.

31. The Brazilian Ambassador in the conversation related to you in our No. 29 of February 25 stated that he would cable his Government at once and ask them (a) whether they had commenced the census of deferred indebtedness that was deemed necessary to the inauguration of payments, and (b) whether they could set a specific date on which the first payment would be made. You will remember that he viewed some such plan as an alternative to a funding arrangement.

The Brazilian Embassy has just informed us that they have twice cabled in the above sense to their Government but have received no reply.

Will you kindly see the Foreign Minister and inform him that American interests are becoming increasingly disturbed by the prolongation of the complete cessation of payments on the deferred debt (virtually no payments having been made since December) and are expressing continually increasing disappointment at this outcome of the trade negotiations, and that consequently the Department is being subjected to an increasing amount of criticism. Will you ask him whether in the light of these facts he can indicate what policy the Brazilian Government intends to pursue vis-à-vis the deferred indebtedness, and in the event that it is intended to pay off gradually as provided in the exchange of notes (up to 60 percent in official exchange) whether they can designate a precise date when such payments will begin.

I understand a 4-day Brazilian holiday is to begin on Saturday and would very much like to receive a definite reply before then. You may let the Brazilian Government see that the Department is becoming disturbed at the protracted delay during which American interests are being kept in the dark.

PHILLIPS

832.5151/541 : Telegram

The Chargé in Brazil (Gordon) to the Secretary of State

RIO DE JANEIRO, March 1, 1935—5 p. m.

[Received 8:40 p. m.]

52. Department's 31, February 28, 7 p. m. In preparation for the 4 days' complete suspension of business referred to in last paragraph of your telegram the Foreign Minister already left here 2 days ago and will not return until March 7 at the earliest. In his absence

the officials conversant with this matter at Foreign Office today make it perfectly clear that while they personally appreciate the Department's legitimate disturbance and disapprove of the procrastinating policy promulgated through the Provisional Exchange Director it is none the less certain that there is no intention whatsoever on the part of the responsible Brazilian authorities (i. e. the President) either to resume generally uninterrupted supply official exchange or to give any assurances concerning its resumption until at least after the financial mission has returned here (see my 49, February 22, 6 p. m.). In the absence of the Foreign Minister there is no one in that Ministry who can even attempt to argue the matter with the President.

I have also seen the Exchange Director today and his whole attitude, which is thoroughly negative, clearly confirms the foregoing. In fact he states definitely that he is unable either to give assurance as to resumption of supply of official exchange or to indicate when he may be able to, and his assistant stated equally clearly that nothing whatsoever had as yet been done to carry out Aranha's suggestions for obtaining accurate information concerning existing backlog. The only detail of interest he vouchsafed was that the Bank of Brazil is clearing up a few of its own exchange contracts; in addition to the \$50,000 mentioned in my 39, February 14, 6 p. m., an additional \$70,000 of American backlog has been cleared up in the past fortnight. As soon as the Foreign Minister returns I shall immediately impress upon him the seriousness with which the Department views the situation. Frankly, however, I am not sanguine as to his ability to force an immediate cessation of this policy of procrastination. This is borne out by the scant attention so far paid to Aranha's recommendations in the premises. Accordingly I venture to suggest that during the forthcoming week the Department make still further representations to Aranha in order that he may increase the urgency of his recommendations to his Government; it would seem to me that if quick action is desired the only way to get it just now is for Aranha to communicate direct with the President.

GORDON

832.5151/567 : Telegram

The Chargé in Brazil (Gordon) to the Secretary of State

RIO DE JANEIRO, March 26, 1935—5 p. m.

[Received 7:07 p. m.]

71. Department's 31, February 28, 7 p. m., my 52, March 1, 5 p. m., last paragraph. In 12 days since return to Rio de Janeiro of Foreign Minister I have had frequent conversations with him and have not

failed to impress upon him the Department's disturbance at the protracted delay in resuming the supply of official exchange during which we are kept in the dark as to the intentions of the Brazilian Government. As I feared, however, Minister stated that it was impossible even to issue any declaration of intentions in the premises prior to the return of the financial mission; that any statement that might be issued would necessarily be too vague to be helpful inasmuch as he himself (and he implied other members of the Government) did not know with precision what the mission had accomplished.

Since its return last Friday mission has discussed its activities with the President and yesterday submitted its report to a full Cabinet meeting but evidently the Government has not yet reached a final decision as to its complete course of action.

Foreign Minister today told me that Government was determined to carry out the 1934 foreign debt plan and that the mission had concluded an agreement with the British Government for paying off the English commercial backlog through the issue of Brazilian Government Treasury notes. (This last item sounds strange to me and I shall endeavor to check up on it.) This agreement of course requires ratification by Brazilian Congress which should not be long in forthcoming.

I pointed out to the Minister that none of the foregoing helped the American backlog situation as regards supplying official exchange in payment thereof or giving assurances as to when this will be done. The Minister said that as soon as Aranha had received cable information of just what the mission had accomplished in Europe he could begin negotiations with the Export and Import Bank. I again urged that under the circumstances which we had often gone over dating from the Finance Minister's promise as reported in your 13, January 31, 6 p. m., it would not be right to leave the American backlog situation to drift further without at least giving definite assurances pending further negotiations whose duration was quite indefinite. Further than that I felt unable to go in view of my lack of knowledge of developments in this field during the last few weeks. If Department will as soon as possible supplement its 25, February 16, 2 p. m., it will undoubtedly be of great assistance to me in my further conversations.

In our conversation today the Minister stated that the Government is considering altering the February 11 exchange regulations in the sense of only requiring the sale of 25 percent of all exports at official exchange rate. This is another indication of divergence of views which still exists and of the further time that will be necessary to iron them out preparatory to evolving a comprehensive plan that will take care of our backlog.

Further in the conversation the Foreign Minister characterized the Finance Minister's report as "containing many words but really being very little".

Foreign Minister tells me that he is having a long conference with Finance Minister on this subject tomorrow and has asked me to see him again Thursday morning.

GORDON

832.51/1033 : Telegram

The Chargé in Brazil (Gordon) to the Secretary of State

RIO DE JANEIRO, April 4, 1935—6 p. m.

[Received 6:42 p. m.]

79. My 74, March 28, 7 p. m.⁵⁶ Bank of Brazil has just begun to liquidate old exchange contracts concluded by it, and dollar contracts held by National City Bank were today liquidated for first time since December 12th. So far Bank of Brazil has asked banks whose contracts have been liquidated to regard the matter as confidential and as special treatment and it has not been willing to make a public announcement concerning the liquidation of these contracts. It is to be hoped, however, that as a result of this opening wedge the Bank may be brought to see both the virtue and necessity of making a public declaration of policy benefiting all banks alike.

GORDON

832.51/1039 : Telegram

The Chargé in Brazil (Gordon) to the Secretary of State

RIO DE JANEIRO, April 11, 1935—2 p. m.

[Received 2:30 p. m.]

87. I have just seen a copy of circular letter number 2 dated March 14th from National Foreign Trade Council to owners of deferred commercial indebtedness in Brazil. The circular specifically advises conversion into relatively short term interest bearing notes of obligations on which exchange contracts actually have been closed.

I trust that this advice has been withdrawn as a result of publication of British agreement.⁵⁷ Will Department please advise me in the premises and inform me whether it has communicated with the National Foreign Trade Council in the sense of my telegrams 74, March 28, 7 p. m. and 75, March 29, 6 p. m.? ⁵⁸

⁵⁶ Not printed.

⁵⁷ March 27, 1935, British Treaty Series No. 17 (1935).

⁵⁸ Neither printed.

As Department will have noted I am much concerned about this point. There is no valid reason why these closed contracts should not be liquidated just as quickly as the British closed contracts—that is to say currently and without further interruption—and Brazilian officials in private conversation admit this. I feel strongly that to include this category of debts in the negotiations would have a very prejudicial effect here and would set a premium upon the policy of procrastination and unfulfilled promises which the Brazilian financial authorities have pursued ever since February 2nd.

My 79, April 4, 7 p. m.: Bank of Brazil has extended the liquidation of this category of debts to all banks in Rio but not yet to banks in other parts of the country. In past week National City Bank has cleared up about 40% of its closed dollar contracts.

GORDON

832.51/1039 : Telegram

The Secretary of State to the Chargé in Brazil (Gordon)

WASHINGTON, April 12, 1935—8 p. m.

53. Your 87, April 11, 2 p. m. The information concerning liquidation of sterling claims for which contracts have been closed has been communicated to the National Foreign Trade Council. On the basis of the questionnaire which the Council has been circulating, it tentatively estimates the total of deferred credits to be about \$21,000,000. This total however includes that portion of deferred credits arising between September 1934 and February 1935 which must look to the free market for exchange. When this deduction is made, the Council estimates the total to be around \$15,000,000, of which some millions are covered by exchange contracts already closed with the Banco do Brazil. Aranha has repeatedly stated that the total to be met by official exchange would not in his judgment be over \$11,000,000. The idea that the American deferred indebtedness could be cleared up by unilateral action on the part of the Banco do Brazil as provided in the exchange of notes is still receiving serious consideration here. The action of the Banco do Brazil which you report in the last paragraph of your No. 87 gives encouragement as to the practicability of some such line of action. The National Foreign Trade Council however holds the view that a plan involving the issue of new securities will be necessary.

Your opinion as to how rapidly the total of American deferred credits could be cleared up from the Banco do Brazil's reserves and Government's quota of exchange would be of interest.

HULL

832.51/1041 : Telegram

The Chargé in Brazil (Gordon) to the Secretary of State

RIO DE JANEIRO, April 15, 1935—noon.

[Received 1:45 p. m.]

93. Department's 53, April 12, 8 p. m. The Bank of Brazil of course keeps its exchange position confidential but my own opinion after sifting the best information available is that the frozen credits covered by closed exchange contracts could be cleared up within the 30-day period referred to in my 86, April 11, noon.⁵⁹

As to the Department's query concerning the total of American deferred credits I take it that this does not include the frozen credits covered by the 1933 agreement. I am inclined to agree with the tentative estimate of the National Foreign Trade Council as to the remaining total of our deferred credits. Accordingly if we agree to an operation similar to that involved in the recent British-Brazilian agreement and are given the equivalent of £100,000 monthly for interest and amortization it would appear that on a conservative estimate our total frozen credits could be cleared up within 3 years or on an ultra conservative estimate within 4 years.

In the absence of any such agreement the only view one can advance with any degree of certainty is that it would certainly take a very long time to clear up our deferred credits from the bank's exchange reserves and the Government's quota of exchange. Not only will various contractual exchange obligations which the Brazilian Government has now incurred have to be taken care of but also the amount to be derived from the Government's 35% quota is necessarily dependent upon the uncertainties of future export trade; moreover as I have previously reported the possibility must always be taken into account of the Government further reducing this quota.

GORDON

832.51/1042 : Telegram

The Chargé in Brazil (Gordon) to the Secretary of State

RIO DE JANEIRO, April 17, 1935—11 a. m.

[Received 11:47 a. m.]

96. Department's 53, April 12, 8 p. m. Is it intended to indicate how many millions are estimated to be covered by closed exchange contracts?

This query is prompted by reports in this morning's local press that Aranha estimates the total of our frozen credits at only \$10,-

⁵⁹ Not printed.

000,000 and that an agreement to liquidate these frozen credits (presumably on this basis) can be closed immediately. Even assuming that this estimate excludes the category of frozen credits covered by closed exchange contracts it seems too low by at least \$2,000,000—though this in turn is only my own estimate based on my best information and I cannot, of course, support it by concrete figures. I might mention, however, that the estimate of the National City Bank is even higher than mine and nearer \$14,000,000.

GORDON

832.5151/589a

*The Assistant Secretary of States (Welles) to the Brazilian
Ambassador (Aranha)*

MEMORANDUM

Referring to conversations that have taken place in the Department with the Brazilian Ambassador and the Commercial Attaché of the Brazilian Embassy, I take this occasion to summarize and confirm the views and suggestions that have been made by the Department in regard to the problem presented by the deferred payment of commercial credits due to Americans in Brazil. I am sure the Brazilian Government shares the opinion of the Department that it is highly desirable that this matter receive prompt disposition in order that the animating purpose of the Brazilian-American commercial accord may prove effective and that trade relations between the two countries may develop in the harmonious spirit envisaged. The expeditious settlement of this question seems all the more justified by the fact that an agreement now has been entered into by the Brazilian and British Governments dealing with a similar situation, and that this Department understands that arrangements are in force affecting deferred credits owed to Italians and Germans which effectively take care of these interests.

From the conversations that have taken place, it has appeared that two different methods of handling the situation are worth consideration. The first and simplest would be, in my judgment, that the Brazilian Government should proceed on its own initiative and merely by its own action to announce a plan of gradual liquidation of these deferred debts, payment of which has been delayed because of the Brazilian exigencies and exchange control. The alternative would appear to be the negotiation of a plan of payment between the Brazilian Government and the representatives of American creditors, wherein suitable provisions for the assured discharge of this indebtedness would be included.

The Department believes that an effective solution can be found in either of the above-mentioned alternatives, and requests the Brazilian Government to act on one or the other decisively.

In its consideration of the matter, as already expressed in the conversations, the Department sees substantial advantages in the first line of procedure. It understands that the Brazilian Government has already undertaken to pay off at once those deferred debts for which exchange contracts had already been closed with the Bank of Brazil—which action has also been pledged towards British creditors in the same position. The completion of payment of this class of American credits would appear to leave a further total indebtedness of an amount that could be handled by Brazilian initiative. Such initiative might take the form of announcement of prompt and full discharge of payment to the small creditors (the estimates available to the Department of the total in this class would seem to indicate that it is of moderate dimensions), and the declaration would state dates at which fractions of payment might be made to those other creditors still awaiting payment. The execution of some such plan of action would avoid the acceptance by Brazil of any new element of interest payment; it would also be received in both countries as a mark of the harmonious and trustful relations which exist between the two countries.

However, the Department has merely put forward these suggestions for the consideration of the Brazilian Government. It may prefer to proceed along the other line suggested, in which case the Department has reason to believe that American interests concerned are ready to undertake negotiations at once. It hopes that this matter, the existence of which obscures the much broader and beneficial trade relations between the two countries, will receive expeditious settlement, and that immediately these broad trade relations can rest undisturbedly on the groundwork of the Brazilian-American commercial agreement.⁶⁰

WASHINGTON, April 17, 1935.

832.5151/597a : Telegram

The Secretary of State to the Chargé in Brazil (Gordon)

WASHINGTON, April 24, 1935—5 p. m.

63. Aranha has informed the Department that the Brazilian Finance Minister in a telephone conversation yesterday told him that the Brazilian Government was prepared to proceed to deal with the question of American deferred commercial indebtedness along the

⁶⁰ Signed February 2, 1935; see pp. 300 ff.

lines previously discussed with the Department. The general outline of such a solution would be unilateral action by the Brazilian Government by which they would proceed at once (a) to furnish necessary official exchange to pay off the small debtors (the dividing line usually mentioned in the discussions was \$25,000); (b) immediately furnish the amounts of official exchange required to complete the transfer on debts for which exchange contracts had already been closed by the Bank of Brazil; (c) announce a scheme of gradual though fairly prompt payment in fractions of the rest of the indebtedness without interest.

Aranha, in relaying the prospective plan of the Brazilian Government, indicated that points (a) and (b) would be handled in the preceding fashion, but that for the rest of the debts, interest bearing notes would be issued, negotiable after some unspecified date. Details were not discussed as to the maturity length of these notes, of the conditions of their negotiability, or as to the security offered in support of them.

The Department believes this method of handling the situation is satisfactory provided the details are satisfactory and do not reduce the actual treatment which the Department believes the Brazilian Government might reasonably give these American debts. It is highly desirable to avoid misunderstanding on points of detail.

Will you therefore seek an interview with the Minister of Finance and request him to give you as much detail as possible regarding the prospective action of the Brazilian Government? Please report by cable. Department would welcome your analysis and judgments of outcome of the measures contemplated.

HULL

832.5151/597b : Telegram

The Secretary of State to the Chargé in Brazil (Gordon)

WASHINGTON, April 25, 1935—5 p. m.

65. Your service message with regard to Department's 63. Groups as received correct. The thought Department meant to convey in next to the last paragraph was that the satisfactoriness of the method now being considered for dealing with this question would naturally depend on the actual details of the unilateral plan developed by the Brazilian Government. These should meet all reasonable tests of fairness and feasibility.

HULL

832.5151/598 : Telegram

The Chargé in Brazil (Gordon) to the Secretary of State

RIO DE JANEIRO, April 25, 1935—7 p. m.
[Received 8:40 p. m.]

106. Department's 63 April 24, 5 p. m. Am I correct in assuming that the Department or the National Foreign Trade Council will determine the classification of small creditors as well as the amount which is to be divided among them which again I assume to be the equivalent of one million pounds sterling as under the British agreements?

In any event, the Finance Minister, whom I saw this afternoon, will only handle this category of frozen credits as indicated in your telegram if he obtains a loan for the amount in question. The Minister is in entire accord as to the necessity of paying off category B at once.

As to category C, his position is that he must treat us in the same manner as he did the British and therefore must issue governmental interest-bearing obligations. He calculates that he can set aside up to £2,000,000 sterling annually to take care of interest and amortization on British and American backlog and he further estimates that this amount will enable him to give us proportionate treatment to that accorded to the British; in other words if our backlog in this category proves to be three-fourths that of the British he will set aside the equivalent of £800,000 sterling annually.

I took up with the Minister the other details covered by Department's telegram as well as some additional ones but for the sake of greater precision it was agreed that I should furnish him with a written *aide-mémoire* (which I have already done) and that he would reply thereto in writing tomorrow. I shall accordingly cable further when I receive his answer.

In the meantime, will the Department please answer the query contained in first paragraph of my 96, April 17, 11 a. m., as well as deal with the assumptions contained in the first paragraph of this telegram?

GORDON

832.5151/598 : Telegram

The Secretary of State to the Chargé in Brazil (Gordon)

WASHINGTON, April 27, 1935—noon.

68. Your 106, April 25, 7 p. m. The Department considers its conversations with Aranha and your conversations with the Finance Minister to be a facilitation of a settlement of the question of deferred indebtedness which stands in the way of the smooth operation of American trade relations, and not a formal negotiation of an agree-

ment between the two countries. As it has explained to the Brazilian Government, it sees a possibility of satisfactory solution in a unilateral action by the Brazilian Government which would meet the reasonable requirements of the American interests, and which would fulfill the pledge given in the exchange of notes between the two Governments dealing with exchange matters.

In regard to your question as to responsibility for the classification of small creditors, it seems to the Department that once the dividing line is established, say at \$25,000, the matter becomes merely one of fact which can be established by the Banco do Brazil. Disputed cases or differences of opinion could probably be handled by friendly discussions between the Banco do Brazil and the National Foreign Trade Council or the American Chamber of Commerce in Brazil.

As for your query as to the sum total of amounts of individual credits under \$25,000, the Department has no conclusive information, but the tentative figures of the National Foreign Trade Council show a very much smaller total than the figures which you cite.

There can be no doubt that the Foreign Trade Council and the American creditors would be dissatisfied with any plan which did not provide for the immediate payment of this class of credits. Furthermore, since such is promised in the agreement with the British, the assurances given in the commercial agreement and the exchange of notes would seem to make it incumbent upon the Brazilian Government to treat this group of American creditors as well as the British creditors of the same class had been treated. In the Department's view, this action should not be made dependent upon the arrangement of any loan but should be unconditionally undertaken by the Brazilian Government. It is noted that in the text of the agreement with the British there is no mention of a loan for this purpose.

For your confidential information. Aranha has informed the Department that Souza Costa told him that while in London the loan arrangements made with the Rothschilds were calculated to provide funds not only to pay off the small British creditors but also to pay off the small American creditors. Of course the Department has no conclusive confirmation of this, but regardless of whether it is true or not, believes that the Brazilian plan should provide immediate payment for this class.

As regards the credits classified under C in your telegram the Department sees no objection to their being funded in governmental interest bearing obligations. It suggests that it would be desirable for the Brazilian Government to consult with the Council or some other representative American trade organization so as to ensure that the obligations are in a form suitable to the requirements of the American creditors.

The Department feels that the criterion for the liquidation of credits of Class C should be the most favored nation principle reasonably interpreted with regard to the exchange availabilities of the Banco do Brazil. The Department does not see why American credits necessarily must receive the treatment provided in the Anglo-Brazilian agreement since it understands from your reports that German arrears have now been entirely cleared up and that agreements have been concluded for the rapid liquidation of Swedish and Italian credits.

It is assumed that in the event of a unilateral settlement the Brazilian Government would consult with the Department before deciding on and announcing the final terms of the settlement.

With regard to inquiry in paragraph 1 of your 96 the Department is not informed as to amount of American credits covered by closed exchange contracts. It would seem that such information should be available to the Banco do Brazil.

HULL

832.5151/599 : Telegram

The Chargé in Brazil (Gordon) to the Secretary of State

RIO DE JANEIRO, April 29, 1935—7 p. m.

[Received April 29—6:50 p. m.]

110. My 106 April 25, 7 p. m. The written reply in question⁶¹ has not yet been received; it is now promised for tomorrow. I have, however, managed to secure what purports to be a draft and unless it is much changed before being presented to me I shall consider it quite unsatisfactory both on the point of a loan to cover payments to small creditors and with respect to the reimbursement of class C creditors.

In this connection will the Department please clarify the first sentence of its 68 April 27, noon? I, of course, understand that my conversations with the Finance Minister in no way constitute a formal negotiation of an agreement between the two countries but I assume that if I find the Minister's answer unsatisfactory I should engage in further discussion with him as an endeavor to bring him around to what I understand to be the Department's views. Please instruct me if this understanding is correct.

Further, in this connection, the Department will recall that I have on various occasions reported that American interests here would unquestionably prefer obligations of the Bank of Brazil which could be discounted by the Export and Import Bank to a direct Brazilian Government obligation. The latter could be nullified at any time by political action and although the former theoretically could be

⁶¹ Apparently no written reply was made.

likewise there would certainly be much more hesitation to take such action.

I have been informed and gather from Department's 45, March 27, 9 p. m.,⁶² that the National Foreign Trade Council shares this preference. Although I have reason to believe that the Brazilians will be loath to agree to this, does the Department wish me to urge this point upon the Finance Minister? While I fear that to secure this very agreement will be difficult and may require considerable pressure in Washington, I feel that I should emphasize the keen disappointment with which the omission of this feature would be received by American interests doing business here.

Further, with respect to class C credits (see penultimate paragraph of Department's 68, April 27, noon) the Department is aware from various reports from this Embassy, that the Germans in fact enjoy a highly preferential situation due to their mark system but as I understand it the Department, for good reasons, is unwilling to insist upon a strict application of the most-favored-nation principle and to claim similar preference. On the other hand, it should also be borne in mind that in article VII of the Anglo-Brazilian agreement, Brazil agrees not to give more favorable treatment to any other country for liquidation of backlog.

I should appreciate instructions at earliest possible opportunity before engaging in further discussion with the Ministry of Finance after receipt of his written reply.

GORDON

832.5151/599 : Telegram

The Secretary of State to the Chargé in Brazil (Gordon)

WASHINGTON, April 30, 1935—6 p. m.

70. Your 110 of April 29, 7 p. m. Your assumption that if the proposal is found unsatisfactory you should engage in further discussions is correct.

Regarding treatment of small creditors you may say to the Minister of Finance that the Department regards it as incumbent on the Brazilian Government to make cash payment of such claims. As stated in the Department's telegram No. 68, it is felt that this action should not be dependent upon any arrangement for a loan, and should be unconditionally undertaken by the Brazilian Government.

You may also urge that Bank of Brazil obligations instead of Government bonds be offered Class C creditors as was done in the 1933

⁶² Not printed.

frozen credit operation and to meet the wishes of the American creditors.

The proposal should also indicate the time which it will take to liquidate that class of deferred credits for which exchange contracts have been closed by the Bank of Brazil.

The Department will await with interest details of the Brazilian proposal for the funding of Class C credits. It is assumed that the plan will state a guaranteed minimum annual allotment of exchange to retire the obligations which will be issued to cover this class of credits as well as the term and interest rate of such obligations.

What is the term of the obligations to be issued under the Anglo-Brazilian payments agreement?

HULL

832.5151/601 : Telegram

The Secretary of State to the Chargé in Brazil (Gordon)

WASHINGTON, May 1, 1935—8 p. m.

73. Brazilian Ambassador discussed with the Department, under instruction of his Government, the proposal of the Finance Minister that the deferred credit should be dealt with in a convention between the two Governments. It was explained to him that this was not a feasible arrangement, first, because this Government does not possess the legal power to enter into any agreement dealing with the rights of the private holders of these deferred credits, and second, as a precedent which the American Government would be called upon to follow in regard to American investments and deferred credits throughout the globe, it would have most undesirable consequences.

Will you please explain this to the Finance Minister and then put before him the following outline of a suggested method of dealing with the question.

The Department understands that the results of the census of American deferred indebtedness will be completed by May 10. In accordance with what we understand to be the accepted intention of the Brazilian Government, it could, immediately thereafter, (a) pay off in cash such deferred credits for which exchange contracts had been previously closed and for which necessary supplies of official exchange had not yet been granted; (b) simultaneously pay off in cash the small creditors (a matter of great importance to the American commercial community because these small credits often form a vital part of the working capital of small American manufacturers and exporting concerns). The class of creditors to be regarded as small creditors might be made the same as that which would be established in the application of the agreement with the British (this is an alternative

suggestion to our previous one that \$25,000 should be the dividing line; it may have the merit in Brazilian eyes of working out identically with the terms of the British agreement and it is understood that it will result in an actual dividing line not unfavorable to American interests). (c) That then the Bank of Brazil should send a communication to each of the remaining American creditors in a form which meets the legal and constitutional requirements under the new Constitution, in which letter the creditor would be informed by the Bank of the amounts due and of the amounts which would be supplied on this indebtedness at a series of future dates. The Department understands that these legal requirements would be satisfied if the communication took the form roughly of a letter in which the Bank of Brazil stated that by order of the Brazilian Government it invited the creditor to present himself at the Bank on each of the specified future dates to receive the specified amounts of exchange. These individual communications would not, it is understood, constitute a contract.

For your information, the Ambassador seems to grow increasingly convinced that the amount of deferred indebtedness which will remain after those debts have been paid for which exchange contracts have already been closed, and after small debts are discharged, will be very moderate in amount and therefore call for future remittances of small dimensions. The figure he mentions is in the region of five to seven million dollars.

Please present these suggestions to the Finance Minister as representing the Department's best judgment of the simplest, most expeditious, and least expensive way of dealing with the situation. Furthermore, you may express the opinion that the disposition of the matter in this way would enhance Brazil's credit standing more than any of the other suggested alternatives.

Department believes that the Brazilian Ambassador will telegraph the Finance Minister tonight making recommendations along the same lines as the preceding.

HULL

832.5151/601 : Telegram

The Secretary of State to the Chargé in Brazil (Gordon)

WASHINGTON, May 2, 1935—2 p. m.

74. Department's 73, May 1, 8 p. m. Disregard last sentence of third paragraph of Department's cable which reads "these individual communications would not, it is understood, constitute a contract".

The procedure envisaged in the conversations with Aranha for dealing with the deferred indebtedness in Class C was, that the Bank

would address individual communications to each creditor, in which it would be stated, in a form meeting the legal and constitutional requirements under the new constitution, that the Bank by order of the Government, recognized that this individual creditor was waiting for the specified amount of exchange which was due him, and then setting forth the dates on which specified portions of this amount would be made available to him. The individual creditor, it was understood, would then acknowledge this communication, corroborating the amount of the exchange obligation as set forth in the Bank's communication, and stating that he would present himself at the Bank at the specified date in order to secure the specified amounts of exchange. Aranha stated that this exchange of letters would constitute a definite evidence of indebtedness between the Bank of Brazil and each individual creditor.

It would be important that this exchange of communications should be worked out in a form which while meeting the Brazilian constitutional requirements should also provide an evidence of indebtedness on which the individual creditor, if necessary, could borrow and which he could transfer.

If this method of handling the situation is adopted, Department believes it essential, that before the form is agreed on, it should be discussed with the Foreign Trade Council or some other body representative of the American creditors.

HULL

832.5151/604 : Telegram

The Chargé in Brazil (Gordon) to the Secretary of State

RIO DE JANEIRO, May 3, 1935—2 p. m.

[Received 4 p. m.]

116. Department's 70, April 30, 6 p. m., 73, May 1, 8 p. m. and 74, May 2, 2 p. m. Finance Minister was engaged all yesterday and could only see me at noon today.

Minister is in agreement as to immediate payment of closed exchange contracts.

I explained to the Minister the Department's view that the immediate payment of small creditors should be unconditionally undertaken by the Brazilian Government and not be dependent upon any arrangement for a loan. The Minister repeated (see my 106, April 25, 7 p. m.) that he could not undertake such payment unless he secured a loan. I replied in effect that how or where he got the money was necessarily his concern but that we felt strongly that these payments should be unconditional. The Minister insisted that in his negotia-

tions with the British he had made payment of this class conditional upon securing a loan (although, of course, this is not stated in the terms of the British agreement).

The Minister was inclined to construe our attitude as that our Government did not wish to enter into any commitments enabling him to secure this loan. I replied that there could be no question of Government commitments and reminded him that in our former interview he had told me that through the Rothschilds he could secure a loan (probably through the Guaranty Trust Company) to cover these payments; if he secured the loan on his own initiative there would seem to be nothing to prevent his complying with our view and undertaking unconditionally to make these payments. While the Minister did not answer this last argument directly he stated that as a practical matter he felt there would be no great difficulty in reaching agreement on this point.

As to the classification of small creditors the Minister said that although this would not be definitely decided under the British agreement until the tabulation of their total backlog was completed (which is now expected for May 10), the understanding was that £1,000,000 would be applied to this backlog and divided up as far as it would go among the smallest holders. He indicated that he was quite prepared to do the same with us and as I understand it that would meet the latest alternative suggestion contained in the Department's 73, May 1, 8 p. m. Moreover if such a classification be adopted it would automatically reduce the amount of class C indebtedness from what was contemplated by the Department's 68, April 27, noon, third paragraph.

As to class C credits I expounded the substance of the Department's telegrams 73 and 74 above mentioned emphasizing the necessity of the communications in question constituting a negotiable evidence of indebtedness. The Minister then said "What about interest? We have to pay interest to the British but Aranha says that we won't have to pay any to you". I replied that I was not prepared to discuss that question in detail and the Minister who then had a luncheon engagement asked me to give him an *aide-mémoire* covering the points raised in our conference.

I had already prepared such an *aide-mémoire* and left it with him and he promised me a prompt answer (which I trust will be forthcoming).

Without saying so directly the Minister during the course of the conversation implied that Aranha's estimate of the total amount of class C indebtedness was on the low side.

GORDON

832.5151/605 : Telegram

The Chargé in Brazil (Gordon) to the Secretary of State

RIO DE JANEIRO, May 3, 1935—6 p. m.

[Received 8 p. m.]

117. 1. In my recent cables concerning Brazilian liquidation of American frozen credits I have necessarily conveyed some of the analysis and comments called for in the last sentence of the Department's 63, April 24, 5 p. m. In further response thereto I feel I should add the following observations.

2. In connection with the proposed exchanges of communications between the Bank of Brazil and class C American creditors, I am puzzled as to how these can constitute negotiable evidences of indebtedness (Department's 74, May 2, 2 p. m.) if they do not constitute binding contracts (Department's 73, May 1, 8 p. m.) and I should much appreciate the Department's clarification of this point.

3. It may be useful to the Department in further conversations with Aranha to recall (see my 106, April 25, 7 p. m.) that the Minister of Finance figures that he can set aside as much as £2,000,000 annually to take care of British and American backlog; that means £800,000 annually to take care of us and in view of the course of the negotiations up to now this entire amount should be applicable to our class C credits. In this connection please see fourth from last paragraph of my 116, May 3, 2 p. m.

4. In its consideration of this entire question I feel that the Department must have always present in mind the possibility that the foreign debt service plan of February 5, 1934 may break down within a few months. Repeated conversations in well-informed banking, business and political circles reveal a rapidly increasing belief that this eventuality must seriously be taken into consideration; may go so far as to place the time for it as close as 6 months hence. Color is lent to this belief by the recent thought of the iniquitous Army and Navy pay increase bill on top of the already heavy 1934 deficit which will be greatly increased this year; the recent sharp drop in the milreis may also be construed in the same sense.

5. I do not wish to sound too alarmist a note nor to go so far as to say that this eventuality is a probability but I do feel that I should caution the Department as to its possibility.

6. In other words to give frankly my "judgment of outcome of the measures contemplated" I feel that the proposed exchange of communications is a precarious solution and far less desirable than an emission of Bank of Brazil notes which can be discounted by the Export and Import Bank although as I stated in my 110, April 29,

7 p. m., I know that the Finance Minister will be very loath to agree to such an emission (in fact he said so in the course of the conversation I had with him this morning).

GORDON

832.5151/605 : Telegram

The Secretary of State to the Chargé in Brazil (Gordon)

WASHINGTON, May 4, 1935—3 p. m.

77. With reference to paragraphs 2 and 6 of your 117, May 3, 6 p. m., the Department's position is that while it is willing to give consideration to Aranha's plan of issuing acknowledgments of indebtedness to Class "C" creditors, it is essential that the idea be discussed with American interests or organizations representing them, to insure that it would meet the requirements of the creditors.

While the Department sees possible advantages in Aranha's plan of issuing acknowledgments of indebtedness, it is possible, as you feel, that the most feasible solution for Class "C" creditors would be an emission of Bank of Brazil notes. You will accordingly endeavor to obtain the agreement of the Finance Minister that Bank of Brazil notes will be issued in case other forms of obligations are unsatisfactory to American creditors.

HULL

832.5151/604 : Telegram

The Secretary of State to the Chargé in Brazil (Gordon)

WASHINGTON, May 4, 1935—4 p. m.

78. Your 116, May 3, 2 p. m. Department awaits with interest reply of Minister for Finance to your *Aide-Mémoire*, which it is assumed will constitute a definite proposal covering the liquidation of all classes of American deferred credits.

As regards the statement attributed to Aranha, the proposition of non-payment of interest was discussed on the basis of Aranha's belief that American deferred credits could be cleared up very rapidly, in which case it might be advantageous for American creditors to sacrifice interest to obtain more rapid payment. Obviously if Class "C" creditors are to be asked to accept obligations of approximately the same terms as those offered the British, such obligations should likewise bear interest or should contain some feature of compensatory advantage.

HULL

832.5151/608a : Telegram

The Secretary of State to the Chargé in Brazil (Gordon)

WASHINGTON, May 6, 1935—6 p. m.

81. Department's 77, May 4, 3 p. m. and 78, May 4, 4 p. m. At meeting of American holders of deferred commercial credits in Brazil held by Foreign Trade Council this morning decision was reached that American creditors did not find satisfactory the method Department has discussed with Aranha and which Department understands you are discussing with the Brazilian Finance Minister, that is, of dealing with Class C credits by individual exchange of letters between the Banco do Brazil and the creditor. In view of this fact you are instructed not to press for this solution.

The Council apparently prefers to receive securities of the type that will be given to the British, but of course hopes for the chance to discuss with the Brazilian authorities the terms of such securities.

HULL

832.5151/611 : Telegram

The Chargé in Brazil (Gordon) to the Secretary of State

RIO DE JANEIRO, May 7, 1935—10 a. m.

[Received 2:47 p. m.]

121. My 120, May 6, 5 p. m.⁶³ I had a long conference with the Minister of Finance early this morning at his house.

He made it apparent that both he and other Brazilian authorities concerned with this matter were much confused as to the exact nature of the negotiations. Aranha had telegraphed last week that the American Government "agreed" to the scheme envisaging an exchange of communications between the Bank of Brazil and the class C creditors. In its 73, May 1, 8 p. m., the Department instructed me to present suggestions including that idea to the Finance Minister as representing the Department's best judgment of the most satisfactory way of dealing with the situation. Subsequent instructions, however, referred to this idea as "Aranha's plan." Accordingly I endeavored to make it clear to the Finance Minister that the Department had not agreed to anything and that as I understood it it had merely been willing, in an effort to find the best solution of the problem, to explore fully such suggestions as had been made to it by Aranha.

The Minister then said that what he wanted to know was exactly what the American Government desired from Brazil. In view of the Department's latest telegrams I again sought to impress upon him that any definite proposals he would make could not form the basis

⁶³ Not printed.

of an agreement with our Government but must be passed on to the American creditors for their approval or disapproval.

The Minister still seemed puzzled as to why I, on behalf of the Department, should be conducting with him what to him seem virtually negotiations if our Government can enter into no agreement and the final word lies with the Foreign Trade Council. I trust, however, that my understanding of the Department's different instructions in the premises is correct; may I ask urgently for instruction on this point before I submit my next *aide-mémoire* to the Minister.

Passing then from matters of procedure to those of substance the Minister said that he was at this moment endeavoring to raise a loan through Rothschild to take care of our small creditors. He repeated that if he could not get this loan he of course could not pay the small creditors but he indicated that he anticipated no difficulty in raising the loan.

As to the credits covered by closed exchange contracts he said again that he intended to pay those off at once.

As to class C creditors the Minister said that he quite understood that if the proposed exchange of communications did not constitute a negotiable instrument it would not be satisfactory to our creditors; he added that as far as he was concerned he did not see how this proposed exchange could constitute a valid negotiable evidence of indebtedness. In accordance with some of the Department's instructions (70, April 30, 6 p. m. and 77, May 4, 3 p. m.) and with what I have always understood would be the most acceptable settlement to the creditors I said that if that idea could not be worked out and if American creditors could not be paid in a short time (see Department's 63, April 24, 5 p. m.) the most satisfactory solution would be an emission of interest bearing Bank of Brazil notes. For the first time the Minister expressed no opposition to this idea.

I then again took up the point that if an issue of interest-bearing notes were decided upon, I understood that he could definitely devote the equivalent of £800,000 a year to the service thereof and he unconditionally agreed.

In conclusion the Minister asked me to submit another *aide-mémoire* embodying all the points hereinabove set forth.

GORDON

832.5151/610 : Telegram

The Chargé in Brazil (Gordon) to the Secretary of State

RIO DE JANEIRO, May 7, 1935—1 p. m.

[Received 2:20 p. m.]

122. Since drafting my 121, May 7, 10 a. m., I have the Department's 81, May 6, 6 p. m. I am glad to know that the idea of the

exchange of communications has been abandoned; as my telegram under reference showed there was little faith in the idea even here.

On the other hand I am at a loss to understand the apparent preference of the Council to take securities similar to the British rather than Bank of Brazil interest-bearing obligations if we can induce the Brazilians to issue them. I can once again assure the Department that the sentiment of local American business interests is overwhelmingly in favor of the latter.

It is obvious that as a result of the Department's telegram under reference the *aide-mémoire* which the Minister of Finance requested me to submit must differ radically from what he and I expected it to contain as a result of our conference this morning. Accordingly I shall not submit it until I receive further instructions from the Department.

GORDON

832.5151/610 : Telegram

The Secretary of State to the Chargé in Brazil (Gordon)

WASHINGTON, May 7, 1935—6 p. m.

83. Your 122, May 7, 1935, 1 p. m. The Council has expressed distinct preference for the issue of definite obligations of the type that is expected to emerge from the British agreement, but of course would greatly prefer that these be obligations by the Bank of Brazil guaranteed by the Brazilian Government rather than straight obligations of the Brazilian Government. Please therefore, in framing your *Aide-Mémoire*, take this position. You may also renew your suggestion that it is highly desirable that before the actual terms and form of the obligations are decided upon, the matter be discussed with American interests or organizations representing the American creditors.

Previous instructions on other features of the program for clearing up this deferred indebtedness remain as outlined in previous instructions, and if you are not completely clear on details, communicate with the Department.

HULL

832.5151/611 : Telegram

The Secretary of State to the Chargé in Brazil (Gordon)

WASHINGTON, May 8, 1935—7 p. m.

84. Your 121, May 7. Department hopes that any confusion in your mind or in the minds of the Brazilian authorities regarding Department's attitude towards a settlement for the American holders of deferred balances has now been cleared up.

The Department does not believe it incumbent upon it to work out in full the details of a satisfactory settlement. The Brazilian Government is obligated under the exchange of notes with the American Government to dispose of this situation promptly. The discussions we have been carrying on with Aranha and which you are conducting are to be considered as an exchange of views on what would constitute a settlement in accordance with the obligations accepted in the exchange of notes and of a general character which the Department believes acceptable to the American creditors. To assure however that any Brazilian plans are acceptable to the American creditors and meet their needs it will be most helpful as well as in accord with established practice if the Brazilian Government before finally determining the exact details of the plan will discuss it with the American creditors and seek agreement with them.

There are summarized again below the suggestions which in the Department's view would appear to be (a) compatible with the exchange of notes, (b) a reasonably satisfactory method of dealing with the situation and (c) acceptable to the American creditors, subject to agreement upon detail.

(1) The provision of immediate payment in cash for deferred credits covered by exchange contracts concluded by the Banco do Brazil.

(2) The immediate provision of exchange for the payment of small deferred creditors on a basis of classification no less favorable than that arising from the British settlement.

(3) Issuance to owners of deferred credits not falling within the preceding classifications of interest-bearing obligations of the Banco do Brazil guaranteed by the Brazilian Government, towards the discharge of which there should be provided an annuity bearing at least that relation to the total as would the annuity set aside in the British agreement bear to the total of similar British obligations; further any balance of this annuity not required for interest on these obligations should be employed to redeem the obligations by repayment at par under precise conditions to be determined.

To repeat, all the preceding is merely the Department's suggestion as to what main details might be deemed to constitute a satisfactory settlement. The actual details should certainly not be less favorable than those extended to the creditors of any other country. It is hoped the Finance Minister will shortly present to you a summary of the plan by which he hopes to dispose of this matter, plus an indication of the dates when payments and issuance of obligations will be effective.

For your information. The Department did join with Aranha in the view that the method of exchange of individual letters might well be the most expeditious method of dealing with creditors of Class (3) [C?]; for one thing, it is the Department's thought that under this method the credits might be paid off more promptly than under any

alternative. However, in view of the doubt surrounding the legal validity and negotiability of such an exchange of letters and the definite opposition expressed by the American creditors to this method, the Department withdrew the suggestion. You may explain this shift in the Department's attitude to the Finance Minister if you find it necessary to clear up any confusion in his mind.

HULL

832.5151/619 : Telegram

The Chargé in Brazil (Gordon) to the Secretary of State

RIO DE JANEIRO, May 9, 1935—6 p. m.

[Received May 9—5:30 p. m.]

128. Department's 84, May 8, 7 p. m. The *aide-mémoire* which I submitted to the Minister of Finance last night put the matter substantially in the same manner as it is set forth in the Department's telegram under reference with one exception; namely, the new point contained in the Department's telegram concerning the utilization of any balance in the annuity to redeem the obligations issued by the Bank of Brazil by repayment at par under precise conditions to be determined. In my *aide-mémoire* I dealt with the necessity of the annuity taking care of the interest and amortization of such obligations. If I understand correctly the Department's idea is in effect an accelerated amortization so I consider the principle covered by my *aide-mémoire*, and can give the point the desired application in my next interview with the Finance Minister.

GORDON

832.5151/620 : Telegram

The Chargé in Brazil (Gordon) to the Secretary of State

RIO DE JANEIRO, May 11, 1935—1 p. m.

[Received 1:55 p. m.]

129. My 128, May 9, 6 p. m. I saw the Minister of Finance this morning in endeavor to expedite his answer to my *aide-mémoire*. He regretted that he had nothing for me yet and indicated he would not be able to reply until he had received an answer to a long telegram he had sent Aranha the day after receiving my *aide-mémoire*; he added that he hoped that this answer would arrive by Monday.

Since seeing him I have been confidentially informed by the chief statistician of the Bank of Brazil that in spite of what he considered the clear instructions sent out by the Bank for the tabulation of both British and American credits replies had been received in such fashion that he fears that definite and precise tabulation will not be consum-

mated before the end of this month. Just as one instance many dollar frozen credits have been transferred to the Bank of Brazil which give some evidence of not being American owned frozen credits and which consequently require further investigation.

GORDON

832.5151/628a : Telegram

The Secretary of State to the Chargé in Brazil (Gordon)

WASHINGTON, May 14, 1935—7 p. m.

87. Have just discussed deferred credit situation with Aranha to whom the Brazilian Government had sent a copy of the memorandum presented by you. Prospect of working towards final solution seems favorable. The discussion now appears to have reached a point where it can best be carried forward by direct conversations between Aranha and the representatives of the American creditors. Further this seems to the Department the best way of getting satisfactory settlement of details. Therefore, Department concurred in the idea that the next stage of the negotiations should be direct conversations to take place here on the understanding that these conversations would be within the limits of the bases outlined in your memorandum.

HULL

832.5151/645 : Telegram

The Chargé in Brazil (Gordon) to the Secretary of State

RIO DE JANEIRO, June 1, 1935—1 p. m.

[Received June 1—11 : 50 a. m.]

147. My 144, May 27 [29], 7 p. m.⁶⁵ American frozen credit returns for São Paulo just received by Bank of Brazil. They amount to roughly \$8,500,000. The grand total of all American frozen credits in Brazil is therefore approximately \$19,000,000. This latter figure, of course, excludes American frozen credits covered by closed exchange contracts which, as reported in my 146, May 31, 5 p. m.,⁶⁵ amount to approximately \$7,000,000.

GORDON

832.5151/659 : Telegram

The Chargé in Brazil (Gordon) to the Secretary of State

RIO DE JANEIRO, June 19, 1935—6 p. m.

[Received 9 : 10 p. m.]

161. My 156 June 17, 4 p. m.⁶⁵ In view of the importance of this question the Department may wish to have the exact text in translation

⁶⁵ Not printed.

of the resolution adopted by Federal Foreign Trade Council. It reads as follows:

"Without prejudicing our policy which is advantageous to the system of compensation in international trade and considering the interests created by commerce with countries which at present can only operate under this regime the Council resolved to authorize the Bank of Brazil to permit with the exception of cotton that the export of national products be made in blocked currencies with, however, the previous authorization of that Bank.

Imports from those nations are subject to this same authorization and the Bank of Brazil will adopt the necessary measures in order that existing interests may be defended without, however, stimulating the increase of this commerce."

For the same reason I am transmitting the text in translation of a note to this Embassy from the Finance Ministry.

"A resolution taken today by the Federal Foreign Trade Council does not modify the fundamental point of view of the policy of the Government which is contrary to the system of compensations. It has for its only objective to prevent the loss of many interests created by commerce with nations which are today in a condition of only being able to operate under this system.

Such is the case of Germany on whose market various Brazilian products such as cocoa, hides, tobacco, wool, fat, and even coffee up to the limit of German consumption are dependent for their exportation. On the other hand there are many Brazilian interests in commerce and industry which depend upon German importations.

The measure adopted is for the express purpose of protecting these existing interests without an increase of commerce prejudicial to nations which operate freely with Brazil. The Bank of Brazil controlling the importation of German products to Brazil and the exportation of Brazilian products to Germany attains this objective in an entirely satisfactory manner."

Nothing more than what is contained in this, to my mind, fallacious and inconsequential statement has been given to the public as an explanation of the Brazilian action.

It appears that on Monday at the Federal Trade Council meeting President Vargas abstained from attending and Souza Costa⁶⁷ who rarely attends these meetings was present to expound the Government's reasons for this decision. I understand that Valentim Bouças⁶⁸ was the only person present at the meeting who vigorously opposed and voted against the decision desired by the Government.

Of course all the factors included in the statements above quoted and which could have been brought up by the Minister of Finance, were inherent in the situation when Brazil decided to take her action

⁶⁷ Brazilian Minister of Finance.

⁶⁸ Director of the Brazilian Statistical Service, a member of the Brazilian Foreign Trade Council and Secretary of and Technical Representative of the Departments of Justice and Treasury on the Commission for Economic and Financial Studies of the Brazilian States and Municipalities.

shutting down on compensation mark transactions barely a month ago. However, as what I have above reported clearly indicates the Brazilian Government apparently has no realization of the psychological effect which must be created abroad by such a stultifying reversal of a fundamental policy so recently determined upon after allegedly full debate and consideration of its consequences.

The Foreign Minister returned to Rio this afternoon and I shall undoubtedly have a full conversation with him very shortly. I naturally dislike to pass this matter over in silence but in view of its importance I should hesitate to make the observations which my view of the situation at this end would suggest without knowing how far the Department would wish me to go. If therefore the Department should be considering the formulation of a note to the Brazilian Government or any views the substance of which it may desire me to repeat to the Foreign Minister I shall be very glad to carry out its instructions immediately.

Please see my telegram 162 of this date ⁶⁹ which further illustrates the unfortunate instability and ineptitude of the Brazilian authorities entrusted with exchange matters and the dangerous tricks resulting therefrom.

GORDON

832.5151/660 : Telegram

The Chargé in Brazil (Gordon) to the Secretary of State

RIO DE JANEIRO, June 19, 1935—8 p. m.

[Received 8:05 p. m.]

162. The Exchange Director of the Bank of Brazil has just informed the Embassy that commencing at noon today all requests for purchases of foreign exchange must receive the approval of the Bank; the regulations in connection with this measure have not as yet been made public and he stated that it may be 2 or 3 days before they are. The Exchange Director contended that this measure would not retard payments of any importations which will be immediately approved and liquidated as heretofore. He also stated that immediate approval will be given on all exchange contracts whether spot or future once it can be proved that they are for the importation of merchandise; due to the fact that the regulations covering this measure have not as yet been made public it is difficult to judge yet just what its effects upon legitimate commerce will be. However it would seem a definite step back towards restricted exchange operations and that limited "black" market may once again come in existence. I shall report further just as soon as regulations are made public.

GORDON

⁶⁹ *Infra.*

832.5151/660 : Telegram

The Secretary of State to the Chargé in Brazil (Gordon)

WASHINGTON, June 21, 1935—6 p. m.

114. Your 161, June 19, 6 p. m. Considering exemption of cotton and statement in the note received by you from the Finance Minister, that the Brazilian Government does not intend to modify its fundamental point of view which is contrary to the system of compensation, Department does not believe it advisable to enter any direct protest to the Brazilian authorities at this time, but rather to watch developments most closely and to reserve its position. I believe however that it may help to limit the use of this compensation arrangement and to protect American export trade against loss if the Brazilian Government is made fully aware of the fact that the last change of policy has created uneasiness and fear lest American trade will again be put at a disadvantage. Will you therefore please see the Foreign Minister or the Minister of Finance according to your judgment, and state that the Department has instructed you to make known to him

(1) That this most recent step has again led to the creation of uneasiness and fear lest American export trade will suffer disadvantage in Brazil.

(2) That American interests concerned will be quick to bring pressure on this Government to protect American trade interests if such disadvantage arises, especially if the disadvantage would take the substance away from the reciprocal most-favored-nation pledges which bind the two countries, and which is embodied in the prospective commercial agreement.

(3) That the Department has asked you to report fully and promptly all and every instance in which this compensation arrangement means the loss of orders for American interests or the displacement of American trade.

It is hoped that this will serve to keep the arrangement within strict bounds. If this does not seem to you adequately to cover the points that should be made or if the manner of proceeding which is outlined does not appear to you to be the correct one, please cable your suggestions to the Department.

HULL

832.5151/661 : Telegram

The Chargé in Brazil (Gordon) to the Secretary of State

RIO DE JANEIRO, June 22, 1935—2 p. m.

[Received 5:35 p. m.]

165. Department's 113, June 21, 5 p. m.⁷⁰ arrived this morning in a badly garbled condition. However, Department's 114, June 21, 6

⁷⁰ Not printed.

p. m., arrived in good shape and just in time for me to use it as the Foreign Minister asked me to call upon him this morning although he had announced that he would only commence receiving members of the Diplomatic Corps on Monday afternoon.

I greatly appreciate this instruction which was exceedingly helpful and in reply to the implied query in the last paragraph please let me say that the points covered and the manner of presentation outlined seem to me to meet the situation for the time being.

When I communicated your views to the Minister for Foreign Affairs he said that he understood that uneasiness should be created and that American interests involved would be quick to bring pressure on our Government; but as to the loss of orders for American interests he was inclined to argue that Brazilian exports of cotton to Germany are the only thing that could cause loss of American orders, and that as cotton is excluded from the latest ruling he did not see how the question of loss of orders could arise.

I then went into a full discussion with him and told him that prior to May 30th (when compensation marks transactions were forbidden) specific cases of loss of orders for American interests through the operation of compensation marks had been brought to my attention and that there was every reason to believe that similar cases would occur again—especially might this be so in the case of American interests bidding against German firms on tenders for supplies of service and imported material, for instance in railroad construction work where the Germans would be willing to accept payment in compensation marks.

Since sending my 161, June 19, 6 p. m. to the Department I have received definite confirmation of the fact that as a result of the decision last Monday of the Brazilian Federal Foreign Trade Council the Bank of Brazil had [announced?] that the 35% in official exchange of Brazilian export bills to Germany would no longer have to be supplied in currencies having international acceptance but would be receivable in compensation marks. Referring to this further factor I further pointed out to the Minister for Foreign Affairs that even in the absence of numerous cases of specific loss of orders for American interests the almost inevitable increase of German-Brazilian trade and the gradual shifting of trade to Germany, which, in the absence of the Brazilian decision of last Monday, would not have gone to the latter country, would, it seemed to me, eventually constitute a definite displacement of American trade.

At the end of our discussion the Minister called in the Secretary General, asked me to repeat what I had said, and told him to make an

aide-mémoire thereof on the basis of which the Foreign Minister would take the matter up with the Minister of Finance at once.

I am to see the Foreign Minister again on Tuesday or Wednesday.

GORDON

832.5151/686

The Chargé in Brazil (Scotten) to the Secretary of State

No. 743

RIO DE JANEIRO, July 31, 1935.

[Received August 10.]

SIR: I have the honor to refer to the Embassy's telegram No. 161 of June 19, and to previous correspondence regarding the injury caused to American trade on account of the compensation system in existence between Brazil and Germany.

From conversations which I have had recently with members of the American Chamber of Commerce in Rio de Janeiro, it appears that the impression is prevalent among the latter that once the Trade Agreement and Exchange of Notes between the United States and Brazil come into force, the compensation agreement between Brazil and Germany must automatically cease, as its continuance would constitute an infraction of the most-favored-nation clause regarding exchange embodied in Article VI of the Trade Agreement, and the Exchange of Notes clarifying the latter.

Inasmuch as it now seems likely that the Trade Agreement will be ratified by Brazil within a month, I consider it highly important that the Department inform the Embassy as soon as possible whether this interpretation placed by the members of the Chamber of Commerce upon Article VI of the Trade Agreement, be true. From a careful study of the Exchange of Notes, I am personally unable to perceive that the latter contemplates a compensation mark system, but as the Trade Agreement and Exchange of Notes were negotiated in Washington, I am unable to find in the files of the Embassy anything bearing definitely upon this point.

I am of course aware of and in complete accord with the contents of the Department's telegraphic instruction No. 114, of June 21, 6 p. m., with especial reference to point two of the latter. Nevertheless, the Department's telegraphic instruction does not indicate specifically that a continuation of the compensation mark system would constitute a legal infraction of the Trade Agreement, but rather it would appear to imply that the continuation of this system would constitute an evasion of the spirit of the Agreement. It appears

highly desirable and necessary therefore that the Embassy know exactly where it stands in future discussions of this matter with American business men as well as with the Brazilian authorities.

Respectfully yours,

ROBERT M. SCOTTEN

832.5151/743a : Telegram

The Acting Secretary of State to the Chargé in Brazil (Frost)

WASHINGTON, November 5, 1935—10 p. m.

181. Please cable whether in its final form as ratified or presented for ratification the British Frozen Credits Agreements provides for the cash payment of £1,000,000 to the smaller creditors, and whether Brazil contemplates a similar cash payment in the case of the smaller American frozen credits.

Also please cable all essential details of authorization voted by Brazilian Senate Finance Committee with respect to American frozen credits.

PHILLIPS

832.5151/744 : Telegram

The Chargé in Brazil (Frost) to the Secretary of State

RIO DE JANEIRO, November 8, 1935—noon.

[Received 1:50 p. m.]

286. Department's 181, November 5, 10 p. m. The Enabling Act, in connection with the British Frozen Credits Agreement, was approved on October 31. The agreement proper which is awaiting ratification by the Senate in precisely the same form as signed on March 27 (see Embassy's despatch No. 616 of March 28, 1935⁷¹) provides for cash payment of £1,000,000 to the smaller creditors immediately upon its being placed in effect which I am informed will not be until the American agreement has been completed.

The Minister of Finance informed me that Rothschilds have already agreed to lend the Brazilian Government the £1,000,000 for the British small creditors and that he is now in the course of further negotiations with them for an additional £1,000,000 to take care of the American small creditors. He stated that he believed that there would be no unforeseen difficulty in arranging the latter sum inasmuch as the Rothschilds had more or less promised to undertake this business last March. Details concerning authorization voted by Finance Committee, Brazilian Chamber of Deputies, with respect to American frozen

⁷¹ Not printed.

credits, are as yet unavailable due to the fact that the project has been returned to the committee for additional minor information. The Minister of Finance stated that full information will be available during the course of the ensuing week. He also stated that Aranha is about to renew his conversations with Thomas⁷² and added that he is going to discuss the whole question of the American Congelados with Aranha by international telephone this afternoon.

FROST

832.5151/754 : Telegram

The Chargé in Brazil (Frost) to the Secretary of State

RIO DE JANEIRO, November 19, 1935—6 p. m.

[Received November 19—5 : 55 p. m.]

299. Department's 181 November 5, 10 p. m. The text of the authorization or Enabling Act for American frozen credits, which was definitely and favorably reported by the Finance Committee of the Chamber of Deputies yesterday, is as follows :

“The legislative power decrees :

Article 1. The executive power is hereby authorized to negotiate with the Government of the United States of America the settlement of the North American commercial debts in arrears covered by the first clause of the letter of February 2, 1935 addressed by the Brazilian Ambassador at Washington to the Secretary of State of the United States of America and which accompanies the commercial treaty signed on the same date between Brazil and that nation.

Article 2. The agreement shall not exceed the amount of 30,000,000 American dollars and its conditions shall not be inferior to those of the financial agreement of the same nature signed on March 27, 1935 between the Brazilian Government and the United Kingdom of Great Britain and Northern Ireland.

Article 3. All provisions to the contrary are hereby revoked.”

In view of the fact that two discussions of this bill on the floor of the Chamber are necessary before submitting it to vote, it is believed that should the Department so desire it would be possible discreetly to obtain the inclusion of any amendment or change which the Department might wish to suggest, through friends on the Finance Committee. This thought is submitted without any idea of suggesting that the legislation is not adequate, but simply because if any action in this connection should be desired by the Department it must be taken immediately, inasmuch as the bill is likely to receive final vote in the Chamber during the course of the week.

FROST

⁷² Eugene P. Thomas, President of the National Foreign Trade Council.

832.5151/754 : Telegram

The Secretary of State to the Chargé in Brazil (Frost)

WASHINGTON, November 20, 1935—6 p. m.

190. Your 299, November 19, 6 p. m. Endeavor to obtain the elimination from the Enabling Act, Article 1, of the phrase "with the Government of the United States of America." The phrase is apparently a limitation on the grant of power and is inconsistent with the actual procedure. This Government does not desire to negotiate an agreement as indicated. It is in fact understood that Funding Agreement has practically been negotiated by the Brazilian Government with the National Foreign Trade Council (acting on behalf of such creditors as shall by acceptance of its terms become parties thereto). The Council has applied to the Export-Import Bank for a commitment to participate in the financing of notes issued under the Funding Agreement and the Bank yesterday announced the matter and the extent to which it would agree to such participation.

HULL

832.5151/757 : Telegram

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

RIO DE JANEIRO, November 21, 1935—5 p. m.

[Received November 21—4:18 p. m.]

301. Department's 190, November 20, 6 p. m. Embassy discussed matter this morning with Deputy Vergueiro César author of the bill and he agrees in principle with the substitution of the phrase "with the Government of the United States of America" for the phrase "with the interested parties or with the association which represents them". He states that although he saw no objection to the substitution he wished to obtain the opinions of the Minister of Finance and that he would inform the Embassy tomorrow concerning the results of his conversation with the latter. In the meantime he assures me that the bill will not be voted on until he has consulted with the Minister of Finance.

Embassy has just been informed that the Minister of Finance has already indicated that he will approve the substitution in question.

GIBSON

832.5151/770 : Telegram

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

RIO DE JANEIRO, December 3, 1935—5 p. m.
[Received December 3—4 : 40 p. m.]

333. My 301, November 21, 5 p. m. Chamber yesterday approved enabling legislation covering our Congelados and the deputy in charge of the bill was fortunately able to strike out reference to the American Government leaving substantially the phraseology suggested by the Embassy "with interested persons or corporations in the United States of America".

I am informed that this legislation does not need approval by the Senate and goes at once to the President for signature. The Minister of Finance is already engaged in drafting contract which Brazilian Ambassador in Washington will sign with creditors.

GIBSON

832.5151/773 : Telegram

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

RIO DE JANEIRO, December 9, 1935—3 p. m.
[Received December 9—2 : 25 p. m.]

338. My 301, November 21, 5 p. m. The President signed on Saturday the enabling legislation covering the liquidation of our frozen credits.

GIBSON

832.5151/781a : Telegram

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

WASHINGTON, December 20, 1935—2 p. m.

214. Please endeavor to ascertain and cable (1) the amount of the cash payment which the Brazilian Government contemplates making on American frozen credits, and (2) the maturity of the dollar frozen credit notes which will be issued.

For your personal information you are advised that Aranha was expected to submit the Brazilian draft of the frozen credits agreement to the National Foreign Trade Council this week but today informed the Council that he had not yet received the document.

The Council is discussing details of discounting frozen credit notes with the Export-Import Bank but progress in making definite arrangements for such discount is hampered by lack of information as to cash payment and maturity of the notes.

HULL

832.5151/782 : Telegram

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

RIO DE JANEIRO, December 21, 1935—1 p. m.

[Received 2:10 p. m.]

346. Department's 214, December 20, 2 p. m.

1. As the Department is probably aware the present proposals between the Brazilian Government and Thomas contemplate immediate payment of £1,000,000 to match the English agreement. This sum will be applied first to make complete payments to our small creditors but as the latter's claims aggregate only about \$500,000 there will remain a large sum cash to be distributed at once to our large creditors. This is conditional, however, upon the Brazilian Government arranging a loan for this purpose with the Rothschilds. Negotiations in this connection have been under way for the last fortnight and Souza Costa has informed me today that he believes they will be successful.

2. It is possible that if this loan does not materialize on terms acceptable to the Brazilian Government it may consider discussing with Thomas an arrangement similar to that reached in 1933 under which the small creditors will receive 120-day notes to clear up their claims and the large creditors Bank of Brazil notes endorsed by the Brazilian Treasury maturing monthly over a period of 5 years bearing interest at 6 percent.

3. The maturity of the Brazilian Treasury notes which will be issued if the Rothschild loan is forthcoming to render the Thomas settlement effective is fixed at 3 years, however, the time may run longer if the total amount of claims put in under the settlement is unexpectedly large. The English arrangement runs for over 4 years and I learn that they are still insisting upon treatment equivalent to our own.

4. I have been informed confidentially by Bouças that the Minister of Finance has not yet transmitted the official text of the draft containing the Brazilian counter-proposals to Aranha. The whole matter hinges upon the Rothschild loan which Sir Henry Lynch again discussed with Souza Costa this morning. He seems to believe his principals will grant the loan but not until after the holidays.

GIBSON

PROMISE BY THE BRAZILIAN GOVERNMENT OF SUPPORT TO THE
UNITED STATES IN CASE OF CONFLICT WITH JAPAN

711.32/52 : Telegram

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

RIO DE JANEIRO, December 27, 1935—7 p. m.

[Received 8:15 p. m.]

352. In the course of a conversation last week the Minister for Foreign Affairs ⁷³ told me that he was in receipt of a report from the new Brazilian Ambassador at Tokyo which gave a rather alarming picture of Japanese preparations for eventual hostilities with the United States.

He said that the Ambassador is a man of unusual steadiness and that he gave weight to such statements coming from him. He added that if these reports were well-founded he felt it essential that Brazil should align herself clearly with the United States for any service that might be rendered; that he considered this too important a matter to act on entirely on his own initiative and felt that the President must be consulted. He added that the President had not yet seen the report, but that he entertained no doubts as to the President's readiness to authorize him to offer Brazilian cooperation to the United States.

This afternoon the Minister told me with obvious satisfaction that the President had given him the fullest authority to bring this matter to the attention of our Government and, as he expressed it, to go as far as he liked.

Macedo Soares said that he wanted you to know that whatever developments might occur you could count on whole-hearted Brazilian support and cooperation; that if you had any suggestions to make as to the line Brazil should take they would be acted upon; that if there was any service that Brazilian Government could render he would be glad to be informed. He said it had occurred to him that there might be information which you would like to have as to Japanese enterprises and activities in Brazil and then added "or elsewhere" where such information might be secured by Brazilian representatives.

The Minister spoke on this subject at some length with obvious sincerity and reiterated once more his belief that the fundamental Brazilian policy should be to go along with the United States in full understanding. He said that his feelings on this subject are fully shared by President Vargas.

⁷³ Dr. Macedo Soares.

Macedo Soares has not yet had an opportunity to communicate on this subject with Aranha ⁷⁴ and particularly requests that the subject should not be mentioned to him until he has communicated with him and so informed us.

GIBSON

711.32/52 : Telegram

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

WASHINGTON, January 2, 1936—7 p. m.

1. Your 352, December 27, 7 p. m. Please express to the Minister for Foreign Affairs the deep and sincere appreciation of this Government for the friendly spirit manifested by the Brazilian Government in the conversation held with you by Dr. Macedo Soares. You may say that this Government will, of course, gladly welcome all information of any character which the Brazilian Government may care to communicate to it.

In view of the strained relations which apparently exist between the Brazilian Minister for Foreign Affairs and Ambassador Aranha, it might be advisable for you to say that you have been instructed to receive all information which the Brazilian Minister for Foreign Affairs may deem fit to communicate to this Government on the subject matter mentioned in his conversation with you.

For your personal information. I assume that the reports referred to by Dr. Macedo Soares are in a general way the same as those which Aranha has already communicated to me as emanating from his colleague in Tokyo.

Please cable the Department the summary of such information as may be communicated to you by the Brazilian authorities in the event that in your judgment it seems to be of immediate importance.

HULL

SUPPLEMENTARY AGREEMENTS FURTHER AMENDING THE AGREEMENT OF MAY 10, 1934, AS AMENDED BY THE SUPPLEMENTARY AGREEMENT OF JULY 21 AND 23, 1934, PROVIDING FOR A MILITARY MISSION FROM THE UNITED STATES TO BRAZIL, EFFECTED BY EXCHANGES OF NOTES, SIGNED JUNE 20 AND OCTOBER 29, 1935, AND NOVEMBER 9 AND DECEMBER 16 AND 19, 1935

[For texts of agreements, signed at Washington, see Department of State Executive Agreement Series Nos. 84 and 85.]

⁷⁴ Brazilian Ambassador at Washington.

CHILE

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

611.2531/143a

The Secretary of State to the Chargé in Chile (Scott)

No. 176

WASHINGTON, July 30, 1935.

SIR: The trade agreements program of the United States contemplates eventual negotiations with each important commercial country with which the basis for an agreement in harmony with the principles and objectives of the program is believed to exist. Trade agreements have been signed with five countries, negotiations are now in progress with thirteen others, and it is planned to institute negotiations with additional countries from time to time in the future. It is expected, therefore, that in due course this Government will have occasion to initiate discussions with the Chilean Government with a view to determining whether there is a basis for the conclusion of a satisfactory agreement with that government and whether that government would be disposed to enter into such negotiations.

Meanwhile it is desirable that a complete understanding should exist in that country of the general objectives and fundamental principles of the commercial policy of the United States. Similarly, it is desirable for this Government to be fully cognizant of any considerations which may govern the commercial policies of Chile, and of the reaction of that Government to the policies of the United States. An exchange of views of a purely informal character, restricted to general considerations of policy rather than the detailed study which would follow in connection with negotiations, may serve a useful purpose at this time, and may facilitate the progress of any negotiations which might subsequently be initiated.

With this in view the Department considers that you may usefully, at your discretion, enter into informal conversation with the Minister of Foreign Affairs, and such other officials as may be deemed appropriate, for the purpose of explaining the commercial policy of this Government, and ascertaining the reaction thereto of the Chilean Government. You may supplement your reports of the substance of these conversations by such additional comment as you believe would be of interest to the Department, with particular reference to the

ultimate possibility for the negotiation of a trade agreement between the two countries.

As an aid to you in discussing this general subject, there is enclosed a brief memorandum outlining the salient features of the commercial policy of the United States, as well as a copy of a press release of the Department entitled, "Policy of the United States Concerning the Generalization of Tariff Concessions under Trade Agreements".¹ In referring to these basic principles you may find it appropriate to point out that they are in harmony with the resolution on economic, commercial and tariff policy approved by the Seventh International Conference of American States at Montevideo in December, 1933.²

Should any points arise in your conversations concerning which there may be some doubt, the Department will welcome your inquiries in the premises.

Very truly yours,

For the Secretary of State:
FRANCIS B. SAYRE

[Enclosure]

Memorandum on the Commercial Policy of the United States

1. *The Negotiation of Reciprocal Trade Agreements.*

The Trade Agreements Act of June 12, 1934,³ authorizes the President of the United States, under certain circumstances and for the purpose of expanding foreign markets for the products of the United States, to reduce by not more than one-half, or to provide for continuance at their present levels, of the rates of duty on imports into the United States in connection with reciprocal trade agreements with foreign countries.

Under this authority the Government of the United States has embarked upon a program of reviving and stimulating its foreign trade by a determined effort to reduce or remove the many barriers of different kinds which now hamper the flow of trade between the countries of the world, including not only excessive rates of duty but also import restrictions such as quotas and licensing systems, and restrictive exchange controls. This program rests upon the conviction that the welfare of the United States, as of the rest of the world, will be enhanced by an increase in the production and mutually profitable interchange of goods, and that an effective means to that

¹ Vol. I, p. 536.

² Resolution V, Economic, Commercial and Tariff Policy, approved December 16, 1933, *Report of the Delegates of the United States of America to the Seventh International Conference of American States, Montevideo, Uruguay, December 3-26, 1933*, pp. 196-198.

³ 48 Stat. 943.

end is to be found in the reduction of the barriers to international trade. It is with this object in view that the Government of the United States has negotiated trade agreements with certain countries, is now negotiating with others, and contemplates entering, in due course, into negotiations with additional countries with a view to the exchange of reciprocal concessions in tariff rates and the reduction or removal of other barriers to trade. In the negotiation of these trade agreements, the United States is prepared to grant reductions in its import duties on goods supplied by the other country, or to agree not to increase existing duties or to impose new duties on such goods, in return for tariff reductions, increased quotas, and liberalization of restrictions by that country on products supplied by the United States.

It is hoped that in the negotiation of these agreements the governments concerned will exchange as extensive concessions as the nature of their trade and their domestic situation will permit. It is the general policy of the United States to grant concessions in its import duties on products of which the other country participating in the negotiations is the principal or an important source of importations into the United States. The application of this rule gives assurance that the chief benefit of the concessions exchanged will inure to the trade of the countries entering into the reciprocal agreement.

In cases where there are several important foreign suppliers of an important commodity on which a concession might reasonably be granted, negotiations with those countries may be carried on concurrently or a relatively small reduction may be made in one case and a further reduction, within the 50 percent limitation and subject to careful consideration of the extent to which it is deemed reasonable to reduce the duty within that limitation, may be granted under a trade agreement with another important supplier.

2. The Most-Favored-Nation Policy.

The principle of unconditional most-favored-nation treatment, which is a basic element in the commercial policy of the United States, is not affected by the program of concluding reciprocal trade agreements. It remains an integral part of the policy of the United States as developed in connection with the negotiation of reciprocal trade agreements. The Government of the United States believes that the spread of discriminatory practices in the regulation and restriction of international trade constitutes a serious hindrance to the revival of that trade. The use of preferential tariffs, quotas and exchange allocations as bargaining devices for the securing of exclusive advantages is disruptive of normal trade relations, diverts trade into uneconomic channels, and thus tends to reduce the volume of trade. Since

third countries are discriminated against, retaliatory measures tend to be provoked, and in the end the cumulative effect of these discriminatory practices is destructive of international commerce and finance.

It is felt that the restoration and further development of the world's trade requires the discontinuance of these practices as rapidly as may be possible, and the most widespread return on a broad basis to the principle of equal treatment, which is the essential element of the unconditional most-favored-nation principle. It is recognized that the various measures of restriction and control of international trade and exchange, out of which the current discriminatory acts have largely arisen are themselves the results of endeavors to meet the pressing difficulties of recent economic situations. The Government of the United States is deeply sympathetic with the governments of countries whose currency and debt situations require the application of measures designed to reduce or control the total volume of merchandise imports. However, it is the view of the Government of the United States that tariff rates, quotas and licensing systems, foreign exchange controls, clearing and compensation agreements, governmental monopoly purchases, as well as all other methods employed for restricting and controlling foreign trade, should be administered in such a way as not to discriminate against American commerce; that specifically they should be administered in such a way as not to alter the relative share which the United States would enjoy in the total import trade of the country in which they are administered in the absence of the restrictions in question. It is the belief of this Government that irrespective of the effect of such measures on the total trade of the countries which adopt them, they should be administered in such a manner as not to divert trade arbitrarily from one country to another and so to disrupt the normal channels of international commerce.

3. Generalization of Concessions Granted By the United States.

The foregoing is recognized in the application of the trade agreements policy of the United States. The Trade Agreements Act provides that the duties and other import restrictions proclaimed in connection with any trade agreement shall apply to the like articles originating in all foreign countries except those which discriminate against American commerce or take actions or pursue policies which tend to defeat the purposes of the Act. In the development of the trade agreements program the principle is followed that if a foreign country does not discriminate against American commerce, that is, if American commerce is given treatment by that country substantially no less favorable than that accorded the commerce of any third country, then it is considered that the commerce of that country is entitled to receive the benefits of the concessions granted by the United States

under trade agreements with other countries. (The special relationship between the United States and Cuba is, of course, an exception based upon the special and historic circumstances of the case).

If, on the other hand, any foreign nation engages in practices which discriminate against American trade, then the President is authorized, under authority of the Trade Agreements Act, to refrain from extending, or may withdraw, the application of the reduced rates effected under the Act to the like products of that country. A full discussion of the policy of the United States with respect to the generalization of tariff concessions granted in connection with trade agreements is contained in a press release issued by the Department of State on April 1, 1935, a copy of which is attached.

611.2531/148

The Chargé in Chile (Scott) to the Secretary of State

No. 493

SANTIAGO, October 18, 1935.

[Received October 28.]

SIR: I have the honor to refer to the Department's instruction No. 176 of July 3 [30], 1935, with its enclosures concerning the commercial policy of the United States, in which the Department referred to the desirability of working out a commercial agreement with the Chilean Government and with this end in view, suggested that the matter be discussed in an informal conversation with the Minister for Foreign Affairs or other appropriate officials.

Pursuant to the Department's instruction, after the Embassy had had a chance to study the various memoranda and enclosures setting forth the policy of the United States with regard to the negotiations of reciprocal trade agreements, the matter was discussed informally with the Foreign Office, which reacted favorably to the idea of working out a commercial treaty and stated that an informal memorandum would be prepared setting forth the points which Chile would seek to have embodied in such a treaty. The question was turned over for further elaboration and study to the office of the Under Secretary for Commerce of the Ministry for Foreign Affairs, with the understanding that informal conversations would ensue when that Office had completed its studies. Several weeks ago, I made a casual reference to the question at a social gathering to Sr. García, the Under Secretary for Commerce, who stated that he was still working on the question and hoped that it would be ready for discussion shortly. However, not hearing anything further from the matter, it was felt desirable to obtain a more definite expression as to the attitude of the Chilean Government, and with this end in view I called on the Min-

ister for Foreign Affairs yesterday. I referred to the fact that the matter had first been broached some time ago; that I had had no further instruction from the Department, but that as some time had elapsed I felt that perhaps the Department would be expecting the Embassy to make some preliminary report. The Minister said emphatically that Chile was very interested in entering into such a treaty; that it was true the question had been somewhat delayed, but that this was due not to lack of interest but because of the many very important matters which had arisen, such as questions relating to the Italian-Ethiopian situation, which had placed an unusual load upon the Foreign Office so that the study of numerous pending questions had been retarded. He added that he would ask Sr. García to speed up the studies and that in the very near future the Foreign Office would be ready again to discuss the question informally with the Embassy.

The Embassy is inclined to accept the statement of the Minister for Foreign Affairs as an accurate presentation of the Chilean attitude. There is a possibility, however, that the Chilean Government is loath to enter into any formal agreement which may embody commitments on exchange matters embarrassing to the policy of the Minister of Finance in his attack on the *Compañía Chilena de Electricidad, Limitada*, on the pretext of illegal exchange operations (Despatch No. 492, October 16, 1935⁴). Aside from this possible motive for delay the Embassy believes that Chile is anxious to enter into a trade agreement.

Respectfully yours,

WINTHROP R. SCOTT

INFORMAL REPRESENTATIONS TO THE CHILEAN GOVERNMENT
REGARDING ALLEGED DISCRIMINATION AGAINST AMERICAN
INTERESTS IN LETTING CONTRACT FOR RAILROAD CARS

825.77/284 : Telegram

The Secretary of State to the Chargé in Chile (Scotten)

WASHINGTON, December 20, 1934—5 p. m.

85. Representatives of the Pullman Standard Car Export Corporation called at Department today regarding prospective order for 21 coaches. From recent experience on locomotive business lost by the Americans to the Germans it is unlikely American prices will be competitive because of German export subsidy, reported to amount to as much as 60 per cent. In view of similarity of amount of subsidy and the amount of spread between official and export rate, and also severe competition from Germans not experienced in other South

⁴Not printed.

American countries and sudden decision railways to close negotiations this year, the question arises whether there is any discrimination against United States in exchange rates at which Germans are negotiating business. Please confer at once with Wessel Duval, representatives of Pullman, and if in your judgment discrimination seems probable, discuss the matter informally with appropriate Chilean authorities and ask that there be no discrimination against American interests which desire to compete on even terms with other foreign interests in Chile.

HULL

825.77/286

The Chargé in Chile (Scotten) to the Secretary of State

No. 255

SANTIAGO, December 29, 1934.
[Received January 7, 1935.]

SIR: In confirmation of this Embassy's telegram No. 120 of December 26, 7 P. M.,⁵ replying to the Department's telegraphic instruction No. 85, December 20, 5 P. M., concerning the possible sale of American railway equipment to the Chilean state railways, I have the honor to report the following.

Upon receipt of the Department's telegram, the Embassy had a consultation with the local representatives of the Pullman Company as well as those of the Bethlehem Steel Company which was also interested in furnishing the railway equipment. As a result of our conversations with these agents and of information obtained from other well informed sources, the Embassy became convinced that due to an excess of German exchange available in the Chilean market, the Minister of Finance planned to use these marks by giving the pending order for railway equipment to Germany. It was not possible to determine in just what manner exchange would be used; whether a certain portion of exchange produced through the sale of Chilean products in Germany would be furnished at a preferentially low rate, or whether a large amount of exchange at a low rate would be available merely through the law of supply and demand, or whether the German Government itself planned to create exchange below the ordinary commercial market rate. The conversations with the representatives of the railway equipment companies also developed the fact that the time element was a very important one in permitting the American firms to have a fair chance at the business. The State Railways have heretofore followed the practice of granting two or three months between the time of calling for bids and their opening,

⁵ Not printed.

this practice being provided for both in the Organic Law relating to the State Railways and in the Railways Administration's own regulations. Contrary to this usual practice, however, a period of only ten days between the time bids were called for on December 18th and the time they were to be opened on December 28th was allowed. This short period would not permit the necessary plans and specifications for the sleeping cars to be sent to the United States for estimating bids. The Germans were not under this handicap as the railways were calling for a type of sleeping car which had been furnished by the Germans on a previous order and the plans for which were in Berlin. In view of this fact and that there appeared a strong probability that American companies would suffer through exchange discrimination, the Embassy felt that ample grounds existed for an informal and friendly conversation on the question with the Foreign Office. Accordingly, on December 22nd, December 26th and December 28th, respectively, conversations were held with the Undersecretary for Foreign Affairs. Memoranda copies of these conversations are enclosed.⁶

Summarizing the result of these conversations it may be stated that after looking into the question the Foreign Office made, it is believed, a sincere effort to obtain the prolongation of the time before the opening of the bids. This effort was unsuccessful due to the perfectly evident fact that the Minister of Finance had made up his mind to give the business to German firms and was not willing to change the manner of handling the granting of the business even to the extent of giving the appearance of more fairness to American bidders.

On the second and most important point, namely, the question of whether American business was suffering discrimination through the supplying of exchange at preferential rates to other countries, the Foreign Office gave us the most definite assurances that no special exchange due to the blockage of Chilean products in Germany would be used for the business. Furthermore, the Foreign Office assured us that though the official rate of exchange would be changed after January 1st, the Government did not plan to change its policy of maintaining the equivalency as concerned exchange for current business whether such exchange originated in the free market or from compensation accounts. In other words, assurances that no discrimination on exchange for financing current business would take place.

On a strictly business basis it appears certain that American firms would not have secured the order in any case since as concerns the day coaches the lowest American bid was \$24,760 per coach, or about

⁶ Not printed.

595,000 pesos at the current rate, as against the lowest German bid of 55,000 Reichsmarks, or 532,000 pesos at 9.665 pesos to the mark, the equivalent of the current export draft rate. A similar spread would be almost certain to exist with regard to the sleeping coaches. The Embassy's investigations and conversations have made clear, however, a development of a situation in the manner of handling affairs within the Chilean Government which is of much more importance than the loss of this particular order and which may develop into policies really inimical to our trade. As the Department has been informed on many occasions, our diplomacy in Chile suffers the great handicap that the Foreign Office in actual practice can assume no real responsibility even in questions relating entirely to its own sphere. The complete control of government policies is in the hands of the Minister of Finance. Our conversations and investigations on the railway equipment case have made it clear that not only does the Minister of Finance make all decisions even in the realm of foreign affairs, but he does not even inform the Foreign Office either fully or clearly on the financial aspects of questions presented to it for negotiations with other governments. As has been stated, the Foreign Office, it is believed, in perfect good faith, has given the Embassy every assurance that at no time has discrimination taken place against American commerce in the financing of special exchange and that no policy of discrimination was contemplated in the future. However, in spite of these definite assurances, in investigating the exchange situation in the matter at issue, the Embassy somewhat by chance stumbled on to the fact that in the previous order for locomotives given by the Chilean Government in November, 1934, marks to cover a portion of the order to the amount of 16,000,000 pesos were furnished by the nitrate companies under orders from the Minister of Finance at a rate substantially below the export draft rate applicable to compensation accounts. The matter is highly confidential as the Department may well believe, and the Embassy is not in a position to obtain the exact rate but knows that it was a special preferential rate. In the case of the present railway equipment order, proof has not been obtained that a rate specially low on exchange obtained from the sale of nitrate in Germany is being used, but it is almost certain that such is the case.

The time before the closing of the air-mail pouch does not permit an intensive discussion of this important question of possible exchange discrimination but it is planned to cover fully this very important question in a despatch in the very near future.

Respectfully yours,

ROBERT M. SCOTTEN

825.77/287

The Secretary of State to the Chargé in Chile (Scotten)

No. 107

WASHINGTON, January 25, 1935.

SIR: With reference to your despatch No. 255 of December 29, 1934, with regard to recent bids for equipment for the Chilean State Railways, you are requested, when suitable opportunity presents, to express informally to the Minister of Foreign Affairs the hope of this Government that American concerns shall have the opportunity to bid on even terms with other foreign concerns for future supplies of the Chilean Government and state-owned enterprises. You may say that American firms feel that the notice of the recent bids for equipment for the Chilean State Railways was too brief to permit of proper study of the specifications and calculation of prices. You may point out to the Minister of Foreign Affairs that this Government maintains its policy of equal opportunity for trade, and in compliance with it recently refused an arrangement providing for the exchange of American cotton for German synthetic nitrates.

Very truly yours,

For the Secretary of State:

FRANCIS B. SAYRE

**EFFORTS OF THE DEPARTMENT OF STATE TO SECURE EQUITABLE
TREATMENT FOR AMERICAN INTERESTS WITH RESPECT TO CHIL-
LEAN EXCHANGE RESTRICTIONS¹**

611.2531/140a: Telegram

The Secretary of State to the Chargé in Chile (Scotten)

WASHINGTON, June 21, 1935—7 p. m.

41. Department is informed by W. R. Grace and Company that International Machinery Company at Santiago has been trying to sell mill equipment and motor to Melon Cement Company; that the Minister of Finance has apparently made inquiries of the cement company regarding the value of the equipment they might import from Denmark, presumably with a view to compensating such purchases by nitrate sales through a special arrangement; and that if such a special arrangement should be consummated the sale of American machinery would be diverted to Denmark. This reported compensation deal would appear to have the effect of making it more advantageous for the cement company to purchase its requirements in Denmark than in the United States, due to the greater facilities and more advantageous rates afforded by the Chilean Government in making available the necessary foreign exchange for covering the purchases.

¹ Continued from *Foreign Relations*, 1934, vol. v, pp. 1-55.

You are instructed to make discreet inquiries and report to the Department fully by telegraph, submitting your views as to whether or not in this specific case there exist sufficient grounds for this Government to protest against discriminatory treatment of American commerce by the Chilean Government.

The Department believes that American exporters in general should receive most-favored-nation treatment in foreign exchange allocations and rates as well as in tariff treatment. If such treatment is not in fact accorded by the Chilean Government, the Department contemplates instructing you to protest formally to the Chilean foreign office. With this in mind, you are instructed to submit an airmail report setting forth what bases, if any, exist for making such representations.

HULL

611.2531/141 : Telegram

The Chargé in Chile (Scotten) to the Secretary of State

SANTIAGO, June 24, 1935—4 p. m.

[Received 6 : 45 p. m.]

68. Department's 41, June 21, 7 p. m. Local Manager of the International Machinery Company informs Embassy that while the Minister of Finance at one time apparently contemplated making available Danish exchange at a rate lower than the commercial rate, he subsequently for reasons not clear apparently abandoned this plan. The Melon Cement Company has now agreed to purchase \$60,000 of motors and mill equipment from the International Machinery Company and is purchasing about \$40,000 of similar Danish equipment. The Manager of the International Machinery Company states categorically that the placing of portion of the order with a Danish firm is due entirely to the latter's willingness to concede longer credits and certain guarantees which the American company is not in a position to give.

The Embassy is satisfied that no discrimination took place in the case mentioned above. However, in spite of assurances made by the Foreign Office when exchange treatment was under discussion, the Embassy is convinced that the Minister of Finance would not hesitate for political reasons if he deemed it expedient to make available exchange from blocked nitrate accounts at rates lower than the prevailing commercial rates and in fact, although almost impossible to prove, it is believed that he has discriminated in this manner on more than one occasion. In addition to the question of exchange rates a tendency has developed during the last 2 or 3 weeks on the part of the Exchange Control Commission to refuse or delay granting authorization for the importation of such typically American products as automobiles, radios and tires. The Foreign Office has been asked in an

informal and friendly way if there is now any change of policy on exchange matters and has promised to look into the question carefully. A full report by air mail will be forwarded as soon as possible.

SCOTTEN

611.2531/143

The Chargé in Chile (Scott) to the Secretary of State

No. 395

SANTIAGO, July 9, 1935.

[Received July 18.]

SIR: Referring to the Department's telegram No. 41 of June 21, 7 p. m., 1935, on the subject of discrimination against American trade, to which this Embassy made a preliminary reply in its telegram No. 68 of June 28, [24] 4 p. m., 1935, I now have the honor to submit the following report.

Before considering the new developments which have arisen recently to disturb American-Chilean trade relations, it may be well to review in a few words the situation which has existed for over a year with regard to our commerce. As the Department may recall, as the result of long negotiations, although no definite written agreement was entered into, the Chilean Government in March, 1934, gave certain definite assurances which removed on most points the *de facto* discrimination under which American commerce had been laboring. It promised: first, that importers of American products would be free to obtain the exchange necessary to finance such imports either in the export draft market or from any other available sources (although not stated expressly this referred to the obtention of funds in the bootleg market); second, that exchange would be authorized at the current export draft rate for the repatriation of American credits frozen in Chile; third, that the Chilean Government would not make available exchange from its blocked nitrate accounts to finance the current business of other countries at rates lower than the prevailing current export draft rate; and fourth, that fair solutions would be found for certain miscellaneous outstanding problems such as the question of the retirement funds of Americans, satisfactory arrangements for the reexportation of American merchandise sent to Chile on consignment, the satisfactory liquidation of any remaining foreign currency deposits and other problems of this nature. On one point the Chilean Government did not remove entirely *de facto* discrimination; namely, the supplying of exchange for the liquidation of American frozen credits at the official rate as was the case in connection with countries having compensation treaties. This the Chilean Government did not find possible to do because of its system of compensation treaties.

The treatment accorded American commerce and American interests in accordance with these assurances has been reasonably satisfactory. It has been possible for importers to purchase freely export drafts and exchange has been authorized for the transfer of other types of American funds, although in some cases the authorization by the Exchange Control Commission was delayed following the exigencies of the exchange situation. Furthermore, the problems under the fourth point mentioned above during this time more or less adjusted themselves. A reasonably fair solution was reached concerning the retirement fund cases, foreign currency deposit accounts were entirely cleared up and with a good deal of patience and hard work on the part of the Embassy it has been possible to obtain the re-exportation of American merchandise sent to Chile on consignment. The situation with regard to the supplying of exchange for current business of other countries at rates below the prevailing commercial rate has not been quite so satisfactory. Although extremely difficult to prove, the Embassy has been aware that on several occasions the Minister of Finance has made available for the purchase of merchandise from other countries, exchange from nitrate accounts at rates below prevailing quotations. The first transaction of this sort which came to the attention of the Embassy was in the case of the purchase of certain German railway equipment which occurred during the fall of 1934. Apparently discrimination of this kind also occurred in certain orders placed for cement; and, as reported in the Embassy's telegram under reference, the Minister of Finance at one time contemplated supplying exchange to Denmark at a preferential rate to finance the purchase of Danish machinery for the Melon Cement Company. Subsequently this plan was abandoned. The problem presented by this type of discrimination is extremely complicated and as it is beyond the scope of this despatch, it will be made the subject of a separate report.

The relatively satisfactory situation with regard to exchange treatment was changed a short time ago when, without warning, requests for the importation of automobiles, automobile accessories, tires and radios were refused by the Exchange Control Commission. A few weeks prior to these restrictions on imports, the Commission had also held up authorizations for the granting of exchange for the transfer of dollar frozen credits. While the Embassy was aware of this restrictive policy with regard to American frozen credits, at the time no great significance was attached to it since from time to time, in order to preserve an orderly market in Chilean exchange, the Ministry of Finance has temporarily held up transactions of this nature.

In view of the apparent change in policy towards our trade on the part of the Chilean Government, I discussed the matter in an informal and friendly manner with Señor Vergara, the Under Secretary for

Foreign Affairs, who has been in continuous charge of exchange matters in the Foreign Office. It was pointed out that the restrictive measures appeared to represent a departure from the liberal policy which Chile had been pursuing with regard to our trade, and that the Embassy naturally felt a keen interest concerning any policies which might adversely affect American trade and was most anxious to have a full explanation of this situation in order that an accurate report might be sent to Washington. Confirming this conversation, a letter dated June 28, 1935 (copy enclosed) ^{*} was left with the Under Secretary on the subject of restrictions on imports and subsequently, at his request, after it had been possible to obtain the necessary data, a memorandum (copy enclosed) ^{*} pointing out certain specific cases in which exchange had been refused for the transfer of American frozen credits. In reply to these inquiries Señor Vergara stated very definitely that there was no intention on the part of the Chilean Government to change its policy with regard to its treatment of American commerce, that the refusal to grant import licenses was due to the fact that the Ministry of Finance was rather worried about the exchange situation and was anxious at all costs to keep the peso from dropping too greatly in terms of dollars, and to create a reserve of dollar exchange; and that the restrictions were not limited to the United States but applied to all countries. He added that he would reply in more detail in writing to the Embassy's communication. With regard to the question of frozen credits, he added that he would have to look into the matter carefully with the Minister of Finance as he was not familiar with this phase of the situation.

Yesterday the Under Secretary asked me to call on him and informed me that he was glad to state that the import restrictions on all pending orders for automobiles, tires and radios had been lifted. He added, however, that the Minister of Finance was determined to keep a brake on requests for dollar exchange and that to accomplish this purpose the number of authorizations for the products mentioned above would be limited during any one month.

Although the check placed on imports affects chiefly the United States, it also touches Germany which sells automobiles in this market, Great Britain which sells a limited number of tires, and Holland which sells radios. The missions of these countries have discussed the matter with the Foreign Office and for the time being at least have accepted the explanation which the Chilean Government has given for the necessity for these measures.

In analyzing the course of Chilean exchange the Embassy was first struck by the fact that there has been no great decline in the value of the peso. In April the bootleg rate was about 25 and by the end of

^{*} Not printed.

June had risen to 26.60. This rise was apparently caused in a perfectly natural way due to the increased demand for imports, particularly automobiles and other semi-luxury articles; increased need for dollars and pounds for tourists' purposes, the Chileans beginning to travel abroad again; and a greater demand for dollar exchange to purchase American securities in the New York stock market. During this period, however, the export draft rate has been virtually stationary, varying only between 24.02 and 24.12. In view of the relatively stable exchange situation, the Embassy at first felt there might be some ulterior motives back of the restrictions affecting dollar exchange, but after studying the question and discussing it with other interested missions, it is now inclined to accept the explanation offered by the Foreign Office as being the true one. Although it is not a matter of public knowledge, it has been learned that the Minister of Finance contemplates meeting dollar and sterling payments greatly in excess of those which Chile has been paying during the past few years. It is understood he plans to settle certain international debts long in arrears, such as Chile's quota to the League of Nations, amounting to about Swiss Fcs. 700,000; substantial sterling payments as part of Chile's dues to the International Postal Union; and other international payments of a similar character such as the dues in arrears which Chile owes in The Hague Court of International Justice. In addition the adjustments which have been made on Chile's short term indebtedness will require approximately \$1,500,000 during the next year and of course if some form of payment on Chile's long term external debt is accepted, this will require substantial sums of sterling and dollar exchange. In theory at least an estimate of the total amount needed to meet service charges on this score would be approximately \$4,500,000, although it seems extremely doubtful whether a satisfactory arrangement will be worked out with American creditors. It is reasonable to suppose, therefore, that the Finance Minister is trying to build up a reserve of exchange and furthermore is anxious that the rate shall not be too high against the peso.

For the moment our problem appears to have passed any acute state since, as stated above, the Foreign Office has given assurances that the restrictions have been lifted on imports for the time being at least, and there appears to be no great urgency on the question of the transfer of American frozen credits which have been whittled down to approximately 60,000,000 pesos from an estimated \$20,000,000 in 1933. Pending the more detailed explanation which the Foreign Office has promised to give and which should include a statement of the intention with regard to the problem of American frozen credits, the Embassy is inclined to feel that the matter may be allowed to rest for the moment. The Foreign Office is under no illusions as to the earnestness with which the American Government views any measures

which might represent a return to the old policy of *de facto* discrimination against our trade which we so vigorously protested in the past, and it is believed will make an effort to prevent the Minister of Finance from allowing the trade relations between the two countries to drift into such a situation.

Respectfully yours,

WINTHROP R. SCOTT

625.116/24

The Chargé in Chile (Scott) to the Secretary of State

No. 415

SANTIAGO, July 27, 1935.

[Received August 5.]

SIR: Referring to this Embassy's despatch No. 395 of July 9, 1935, on the subject of discrimination against American trade, I have the honor to inform the Department that it has now been possible to clear up those questions of irritation and obstruction which do not conflict with the determination of the Chilean Government to harbour its exchange availabilities in the export draft market, and that concerning the questions which have not been solved at least a definite and clear cut statement of policy has been obtained.

After numerous conversations at the Foreign Office, in which no real progress was made, it was decided that the only way of satisfactorily dealing with the pending questions would be to arrange an interview with the Minister of Finance. Accordingly on Wednesday afternoon (July 24th), a conference was held at which were present Sr. Ross, the Minister of Finance, Sr. Vergara, the Undersecretary for Foreign Affairs, Sr. García, the Undersecretary for Commerce of the Ministry for Foreign Affairs, Sr. Urrejola, the President of the Exchange Control Commission, Mr. Scott and Mr. Randall, the Acting Commercial Attaché. A memorandum of this conference is attached.⁹ Its results may be summarized as follows.

First a method of procedure was worked out for handling certain long pending cases involving the return of American merchandise sent to Chile on consignment. Sr. Ross stated that the Chilean Government had no interest in retaining this merchandise and in effect instructed Sr. Urrejola to find a formula by which such goods could be cleared from the country and still comply with the letter of the exchange law. Second there was an opportunity to bring up for discussion the needless hardship worked on our commerce because of the dilatory and obstructionist policy of the Exchange Control Commission. Taking advantage of the presence of Sr. Urrejola, attention was called to numerous examples of this practice and the atmosphere

⁹ Not printed.

was thoroughly cleared on this point with assurances on the part of Sr. Urrejola of more businesslike and considerate treatment. Third, an understanding was reached concerning the status of orders for automobiles, tires and radios which were in transit prior to the application of the recent inhibitions. On this point there had been either a confusion of orders or a deliberate obstruction on the part of the Exchange Control Commission. Apparently firms importing automobiles had obtained funds for all pending orders, whereas certain other firms, such as those importing tires and other rubber goods, had not. In spite of the assurances of Sr. Urrejola that all these orders had been released, it was possible, by exhibiting actual proof of pending orders for the Goodrich Rubber Company for which authorization had not been granted, to show that Sr. Urrejola's statement was in error. He was instructed very explicitly by the Minister of Finance to grant the necessary authorization for the purchase of export drafts to finance these orders. Fourth, a clearer understanding of the policy with regard to frozen credits was obtained. Sr. Ross stated definitely that all transfers of American frozen credits were being held up for the time being but that they would be allowed again in the future when the exchange situation became easier. So much for the points which could be cleared up. There now remained to be considered the new policy of restricting imports. Sr. Ross' statement on this question may be summarized in the following point:

1. In view of the very great increase in the importation of certain types of luxury or semi-luxury articles, in particular automobiles, automobile parts, tires and radios, causing a corresponding drain on Chilean dollar exchange, the authorization for the purchase of exports drafts to finance such imports is being restricted.

2. This measure applies to all countries. (From a practical point of view this means very little as a preponderant number of these articles come from the United States. It may be noted that a possible 5% of the automobiles are of German make; about 25% of the tires are British and a few radios come from Holland.)

3. The Minister of Finance believes and hopes these measures will be of temporary character.

4. It is not desired to work an undue hardship against importers and therefore the measures are not to apply against pending orders, by which is meant orders which were already in transit or in the customhouse when the measures were put into effect; in other words, orders which could not be cancelled by the importers.

5. The restrictive measures are to apply equally against all firms.

6. No objection is raised to the importation of merchandise when the prospective importer can show he had the dollar exchange or credit (*disponibilidades*) available for such importations. (This would appear to contemplate only the cases in which the respective importer would indicate that his import was covered by a credit in the United States.) As no assurances would be given in advance, however, concerning the permission later to return blocked pesos to the

United States, it would appear that under such conditions the American exporter would have to assume full responsibility as to the time in which repayment would be received.

7. The use of the bootleg market (*Bolsa Negra*) is definitely illegal. (The Minister admitted of course that its use was very general and would continue to be very general, but he made it clear that its use was illegal and unrecognized by the Chilean Government, and therefore at the full risk of the user.)

Before attempting to comment on and intelligently interpret the statements made by the Minister of Finance, it will be necessary to relate them very carefully to the estimates on which the Embassy is now working of Chile's situation with regard to exchange availabilities as well as its position with regard to its international trade balance. This information, together with the Embassy's carefully considered recommendations as to dealing with the present situation, will be embodied in a despatch which will be sent in the air mail on Wednesday, July 31st.

In the meanwhile, the Embassy believes that nothing is being lost by awaiting the results of a more careful study of the facts. As stated previously, it has been possible to clear up in a very satisfactory manner the more pressing matters of irritation and obstruction affecting our commerce and for the moment it is believed that Señor Ross' statements as to the urgent necessity for conserving Chile's dollar exchange availabilities and his desire that these restrictive measures shall be of a temporary nature, may be accepted as having been given in good faith.

Respectfully yours,

WINTHROP R. SCOTT

625.116/25

The Chargé in Chile (Scott) to the Secretary of State

[Extracts]

No. 423

SANTIAGO, July 31, 1935.

[Received August 8.]

SIR: Supplementing this Embassy's despatch No. 415 of July 27, treating of the conference which was held with the Minister of Finance on the subject of discrimination against American trade, I now have the honor to submit the following analysis of Mr. Ross' statement and recommendations thereon.

There has recently been a substantial increase in demand for exchange in excess of the increase in availabilities. . . .

The Chilean exchange situation, therefore, may be summarized by stating that while there is no crisis with regard to availabilities, there

is no large surplus and the increasing demands on exchange, if continued at this same rate, might create a definite shortage by the end of the year. In other words, the statement of the Minister of Finance to the effect that he was taking precautionary measures since a shortage of exchange due to the increase in the demand for imported goods might develop, is not unreasonable.

Having reached the conclusion that the Minister's presentation of the exchange situation is substantially accurate, it does not necessarily follow that because it is feasible and convenient for him to save at the expense of American products we should acquiesce in such a procedure. As has been noted, the ratio of increase of American products has been only slightly greater than the ratio of increase of Chile's total importations. Assuming that there is a necessity for Chile's restrictive measure on imports, there appears to be no logical reason why the brunt of these economies should be borne almost entirely by American products. From the Chilean point of view it is awkward to attempt restrictions against countries whose status regarding exchange is clearly provided for in the terms of compensation treaties. The very situation which has now arisen was feared by the Embassy when it was pointed out at the time an exchange agreement was contemplated that the liberal treatment accorded our commerce was a matter of expediency on the part of the Minister of Finance and would only continue as long as it suited his financial policies. Lacking a definite signed agreement the present measures affecting American trade only represent a departure from what might be termed an informal unilateral engagement on the part of the Chilean Government to treat American commerce with liberality. We may point out that this represents such a departure and complain about it, but we are not in a position to invoke the breaking of a formal international engagement. The question naturally arises at this point as to whether there is now an appropriate occasion to begin negotiations looking to the conclusion of a commercial treaty which will regularize a satisfactory status for our commerce. In the Embassy's opinion the answer to this question depends on whether such a treaty can be made broad enough to include very specific provisions guaranteeing American commerce equitable treatment in exchange matter.

Tariff concessions, important and desirable as they may be, are of secondary importance as a factor entering into our present trade with Chile. The studies which have been made by the Commercial Attaché indicate very clearly that even were tariffs reduced in large proportions on expensive American products such as automobiles, radios, typewriting machines and other important American imports, the ultimate price at which they would be sold to the consumer would not be affected nearly as much as by a comparatively slight increase in

the value of the peso. Although the peso has improved from its low position to the present rate of about 25 to the dollar, even at this figure American goods in terms of the purchasing power in pesos of the Chilean buyers are extremely high. Also our commercial relations with Chile have a distinctive character, in that there is a tremendous disproportion between the value of our current trade and the value of our capital investments in Chile. Our current business is now running at the rate of about \$15,000,000 a year, whereas it will be remembered that our total investments in Chile in 1929 were estimated, in a careful study prepared at this Embassy by Mr. Joseph Flack, at over \$1,000,000,000.

As of assistance to the Department in considering the desirability of a commercial treaty with Chile, the main points for and against such a procedure might be summarized as follows. First, there would be a great advantage in placing our commercial relations on the basis of a formal international agreement. The present status of these relations whereby fair treatment to our commerce is made to depend on the policy of the Minister of Finance, is obviously none too satisfactory; but in the Embassy's opinion should the present Government be overturned, an event which must always be considered, these relations would be still more unsatisfactory. A change of Government, should it come, would arise from pressure from the Liberal or "Left" groups rather than from Conservative groups, and we could not anticipate that the new Government would be more friendly to the United States. Quite the contrary, we would probably have a period of more intense nationalism and hasty and ill-advised attacks against foreign interests. Under such conditions, lacking the protection of a formal treaty, our commerce would have much the same uphill fight as it had several years ago. As a possible factor against entering into a commercial treaty it must be pointed out that it is hard to say how any treaty could be negotiated which might not run contrary in some respects to the Department's traditional philosophy with regard to most-favored-nation treatment. Under the compensation system, as the Department is well aware, some countries having compensation treaties are liquidating over a slow time schedule their frozen credits at special rates. It is not believed that Chile could be forced into according our commerce similar rates unless we are prepared to enter into some type of compensatory or blockage arrangement. But compensation is inconsistent with our stand for liberalizing international trade. In short, the possibility of a satisfactory exchange arrangement as a part of a commercial treaty still leaves us between the horns of the dilemma of either accepting compensation or admitting the obtention on the part of other countries of exchange rates for liquidating frozen credits more favorable than those accorded to the United States.

Returning to the more immediate question of what action should be taken with regard to the policy which has been put into effect of restricting American imports, the Embassy is inclined to feel that the soundest procedure would be to accept for the moment at least Mr. Ross' explanation that these restrictions are of a temporary character and that they will be lifted as soon as it is possible to do so. On the other hand, it is believed that it should be made clear that the United States is not willing to acquiesce for a protracted length of time in restrictions which affect primarily our commerce and are, therefore, in the nature of a *de facto* discrimination. For this purpose, should the Department approve this procedure, there is appended a suggested draft of note to be left with the Foreign Office.

As of possible interest to the Department's consideration of this matter, it may be stated that none of the countries affected, namely England, Germany and Holland, have made anything in the nature of a formal protest concerning the Chilean restrictions. As far as is known the mission of the Netherlands has not discussed the question, presumably because this mission is now awaiting the arrival of a new Chargé d'Affaires. The British Chargé discussed the matter in an informal and friendly manner with Mr. Ross and informs me that the discussion was limited to obtaining explanation of the reasons behind the Chilean policy. The German Minister informs me that he also has had several informal conversations at the Foreign Office on the subject, but that for the time being no further action is being taken by his Government.

It is requested that the Embassy receive by cable or air mail the Department's instructions as to its further procedure in the matter. The recent action of the Minister of Finance with regard to American trade has raised the issue again of our trade relations with Chile, the question having reached a stage where the Embassy should have for its guidance the Department's considered position, not only with respect to the specific questions which are now being dealt with, but with regard to broader questions touching our trade relations with Chile, and in particular with respect to the Department's wishes and views concerning the possibility or desirability of negotiating a formal trade treaty with Chile.

Respectfully yours,

WINTHROP R. SCOTT

[Enclosure]

Suggested Draft for a Note to the Foreign Office

EXCELLENCY: I have the honor to refer to the measures adopted by the Chilean Government several weeks ago with a view to restricting authorizations for the purchase of export drafts for certain purposes.

It is noted that for the moment the Chilean Government is not permitting the purchase of such drafts for the transfer of American frozen credits, including in this category bank collections awaiting remittance to the United States; and is restricting the purchase of export drafts to cover the importation of automobiles, automobile parts, automotive accessories, tires and other rubber goods, radios and spare parts for radios. As Your Excellency will recall, these measures have been viewed with some concern and have been the subject of several conversations with the Foreign Office and of a conference held on July 24th with the Minister of Finance, the President of the Exchange Control Commission, and members of the Foreign Office. At this conference the Minister of Finance very kindly set forth a clear exposition of Chile's policy, stating that because of a great increase in the demand for certain imported articles, particularly those against which the measures under discussion have been taken, there was such a drain on Chilean exchange resources that unless a check were placed on these demands a serious shortage of exchange would occur. Assurances were given that while an exact period could not be set for the duration of these measures, it was hoped and believed that they would be maintained only for a relatively short time. It was stated furthermore that the Chilean Government desired to continue to treat American commerce with liberality, but that the measures which have been adopted for the temporary restriction of imports were impelled by motives of a really national necessity.

Acting under instructions from my Government, I have the honor to inform Your Excellency that the American Government has noted the explanations which have impelled the Chilean Government to depart temporarily from the policy which it has been pursuing heretofore of granting to American commerce freedom from exchange control, quotas or other special restrictions in view of the reciprocally liberal treatment which is afforded Chilean commerce in the United States. While noting in the friendliest spirit the explanation given for the measures under discussion, it should be made clear that the American Government would not acquiesce in a policy of affecting savings in exchange availabilities indefinitely or for a long period at the expense of restricting commerce in articles so preponderantly of American origin; nor could it accept a policy which would tend to block indefinitely the transfer of American frozen credits. From the assurances given, the American Government has every confidence that no such policy is contemplated.

In closing let me express my thanks for the frank and cooperative manner in which Your Excellency and the Minister of Finance have always been ready to discuss matters affecting the commerce of our two countries.

I avail myself [etc.]

625.116/26

The Chargé in Chile (Scott) to the Secretary of State

No. 430

SANTIAGO, August 6, 1935.

[Received August 15.]

SIR: I have the honor to refer to this Embassy's despatch No. 415 of July 27, 1935, on the subject of certain measures taken by the Chilean Government in restriction of American commerce. In this connection it will be recalled that at the conference with the Minister of Finance, which took place on July 24th, he requested that a copy of the questionnaire which had been prepared by this Embassy be left with him.

The written answer of the *Minister of Finance*, confirming his oral statements made in the conference, has now been received in the form of a Memorandum from the Foreign Office, which is enclosed with its translation. As may be noted, the written reply follows in all essential respects the oral explanations furnished by the Minister.

Since the last report on this subject, embodied in despatch No. 423 of July 31, 1935, there have been no new developments, although the Embassy is happy to be able to report that apparently most of the orders which were pending have been released in accordance with the promises made.

It is considered that the subject has now been fully set forth to the Department for its consideration, and no further action is being taken or will be taken pending the receipt of the Department's views and instructions in the premises.

Respectfully yours,

WINTHROP R. SCOTT

[Enclosure—Translation]

The Chilean Ministry for Foreign Affairs to the American Embassy

MEMORANDUM

1. The measures adopted on June 7, 1935, by the Commission of Control of International Exchange of Chile are explained by the fears that a rise might be produced in the value of the dollar and other currencies, because of excessive demand. It was necessary to restrict the sale of export drafts for the purchase of articles which may not be considered indispensable for the national economy and whose importation would have increased unreasonably recently.

2. There does not exist and has not existed in the intention of the Government the idea of altering the situation of trade with the United States. The restriction imposed on the importation of certain articles is in accordance with the reason above set forth (1) and

the exchange produced by exportations to that country is freely used for the importation of every kind of merchandise, with the exception of automobiles and radios which are under special regulations.

3. In order to avoid any unnecessary hardship, the Exchange Commission has authorized all of the requests for importations relative to automobiles and radios which were on July 1st in the port of origin, on board ship or in a Chilean port. With regard to the spare parts and accessories for automobiles, tires, and spare parts for radios, the Commission has arranged to authorize not only those that were in the customs, under the same regulations as for automobiles and radios, but also future importations within the usual needs of each importer.

The exchange allocated for this purpose is as follows:

For automobiles in customs, on board, and in port.	US\$333, 275. 69
Parts and accessories ordered, in the customs, on board and in port.	41, 240. 11
Tires	9, 113. 99
Imports of accessories and parts, tires and tubes, for the remainder of the year, according to the calculated needs of the importers.	373, 500. 00
For radios already authorized.	60, 613. 61
Total.	<hr/> US\$817, 743. 40

4. The Commission has always permitted the importation of every kind of merchandise from the United States, without any exception, with the importer's own availabilities. It is not possible to authorize recourse to the "bootleg market", since it is illegal, but the importer's own availabilities may have another origin.

5. There is no discrimination in the application of these measures, other than that imposed by the fact that a great part of the restricted articles come from the United States. Other countries have had to submit to equal treatment.

6. It is not possible to fix an exact period for the application of these measures. That will depend on the availabilities of export drafts and on the volume of importation. In any case, the Commission proposes to maintain them only as long as they are indispensable and for the period that is strictly necessary.

7. The measures referred to will be applied only to automobiles and radios. Requests for the importation of every other American product will be granted without difficulty.

8. *Frozen credits.* For the moment, the liquidation (*descongelación*) of American credits has been restricted for the same reason (1) that has been noted. A list of the frozen credits that now exist would

be desirable, since, just as a short time ago there was no difficulty in the transfer of these credits, there is now the intention of facilitating them in the future, but on the basis of a definite list, even though only approximate, of such existing credits.

9. *Re-exportation.* So long as it is a question of merchandise which is not indispensable to Chile's economy, requests for re-exportation will be favorably considered. The legal obligation to return (*retorno*) will be established without setting a definite period.

10. The Government of Chile maintains its previous affirmation, with respect to the maximum facilities to be enjoyed by American commerce. Temporary restrictions have been imposed because of fundamental necessities of economic policy and vital exigencies of internal stability.

SANTIAGO, August 2, 1935.

611.2531/146

The Chargé in Chile (Scott) to the Secretary of State

No. 432

SANTIAGO, August 7, 1935.

[Received August 15.]

SIR: I have the honor to refer to the Department's telegram No. 41, June 21, 7 P. M., 1935, on the subject of possible discrimination against American trade (to which this Embassy made a preliminary reply in its telegram No. 68 of June 24, 4 P. M., 1935, and its despatch No. 395 of July 9, 1935. Reference is made to page 3 of this despatch in which the Department was informed that the question of discrimination through making available exchange from nitrate accounts at less than the current commercial rate of exchange would be made the subject of a special report.) There is enclosed herewith a memorandum¹⁰ on the subject prepared by Mr. Arthur Pack, the Commercial Secretary of the British Embassy. Up to now the Embassy has hesitated to burden the Department with a report on this matter since it is virtually impossible to prove this type of discrimination. Furthermore, it is not admitted by the Chilean Government, and the whole question has been complicated by the difficulty of establishing a criterion for the current rate of exchange. Also the special types of marks established by the German Government have not simplified the matter, nor the fact that a special exchange market exists in Chile as against world markets such as New York and London. However, as the matter was made the subject of a complaint by an American firm and as it is apt to arise again to plague Chilean-American com-

¹⁰ Not printed.

mercial relations, it is believed the following information may be of interest.

The Embassy has been aware that on several occasions the Minister of Finance has departed from the assurances given by the Chilean Government with regard to the supplying of preferential exchange. The most definite example whose ramification the Embassy was able to follow with reasonable completeness concerned the purchase in the fall of 1934 of certain German railway equipment. In August, 1934, a transaction was entered into between German wool importers and certain wool producers in Magallanes, by which the Germans agreed to pay a premium of 25% above the prevailing market price for wool for the privilege of having the sale based on marks rather than on pounds as heretofore. As the Department is aware, London is the general clearing house for wool in Europe and it was customary for Chilean wool to be cleared through London. Apparently the Germans felt that they could afford to pay this premium partly because of the fact that they were saved certain handling charges incidental to the financing through London, and partly because of the general financial situation which created great pressure towards the use of German marks due to exchange conditions in Germany. The Chilean wool producers were delighted to obtain this high premium, figuring that although the mark might go down in value, the 25% would much more than cover any depreciation of this sort. In effect, shortly after the transaction was completed, the mark did go down and there developed a bearish point of view in Chile with regard to German exchange which had a tendency to send the mark to a still lower value. This being the situation, the Chilean wool producers hastened to discount their transactions with the Banco Aleman, which immediately proceeded to unload the marks which had been received, thus accentuating the prevailing tendency in Chile for the mark to decline. The wool transaction amounted to approximately 3,000,000 reichsmarks. About the time that the deal with regard to wool was started, there were blocked in Chilean nitrate accounts in Germany between 6 and 7 million marks. The nominal export draft rate for the mark at that time stood at around 9.60 pesos to the mark.

With the rapid decline of the mark in the Chilean market, the Nitrate Sales Corporation stood to lose a substantial amount on its funds held in reichsmarks. The Minister of Finance therefore decided to cover mark depreciation by using the marks, or a large portion of them, for the purchase of German goods. As the Chilean state railways were in the market for some new equipment, the Finance Minister decided to use the blocked marks for the purchase of this equipment and, in spite of the fact that purchases of the state railway company are supposed to be made by competitive bids, he se-

cretly arranged to give the order to the German firm "Ferrostaal G. m. b. H.". Bids were received as usual from other foreign firms, including American and British, but the bidding was purely a dummy transaction. The exact rate of exchange which was used for this transaction is not known. The important point from the American angle, however, is the fact that the rate, whatever it may have been, was fixed low enough to render the American bid too high to obtain the order. On the other hand, it is understood that the rate was not as low as the average at which the marks were liquidated as the result of the wool transaction and which were quoted as low as 7.80 pesos to the mark. The question of whether a rate discriminatory to American commerce was actually used involves a rather fine distinction. On the one hand, according to Chilean law the rate of exchange for current business accounts obtained from the blockage of nitrate for the year 1934 was taken at 250% of the official rate of exchange. During the year 1934 the official rate of exchange was based on 3d gold and multiplying the official rate by 250% was supposed to give more or less the current export rate. As stated previously, in the case of German marks under discussion, this rate amounted to around 9.60 pesos to the mark. On the other hand, due to the special circumstances which have been described, the mark in the Chilean market declined very rapidly so that actual transactions occurred, as we have seen, at rates substantially below 9.60 pesos to the mark. This low quotation in Chile, however, represented a special market not necessarily in normal relation with the quotation of marks in London or New York. The question then present[s] itself in this form: Was the Minister of Finance violating the spirit of the assurances made by the Chilean Government as to special exchange when he made exchange available at a rate between the so-called export draft rate, according to Chilean law 250% of the official rate, and the low point of the German mark in Chile at this period. It is not a simple question to decide, but in any case, the rate fixed by the Minister was low enough to divert the business from American to German firms.

From a practical point of view, it is the Embassy's opinion that our interest in passed practices of the Finance Minister is secondary to that which should be directed toward our commercial policy with Chile. Our present weakness lies in our complete dependence upon the convenience of the Minister. As long as exchange control continues in force and our commercial situation is not regularized and definitely established, he will naturally continue his policy of managing exchange to suit his needs. Up to now, after all the various factors have been taken into account, our commerce has averaged as well as that of other countries; but this situation may change over

night if at any time it should suit Mr. Ross' plan to supply exchange from blocked nitrate funds to other countries at preferential rates for their commerce.

Respectfully yours,

WINTHROP R. SCOTT

625.116/25 : Telegram

The Secretary of State to the Chargé in Chile (Scott)

WASHINGTON, August 13, 1935—7 p. m.

49. Embassy's despatch 423 of July 31, 1935. You are authorized in your discretion to present to the Foreign Office the note enclosed in the above-mentioned despatch.

HULL

625.116/27

The Chargé in Chile (Scott) to the Secretary of State

No. 441

SANTIAGO, August 16, 1935.

[Received August 26.]

SIR: I have the honor to refer to the Department's telegram No. 49 of August 13, 7 P. M., 1935, authorizing me to present to the Foreign Office the draft of the note enclosed with this Embassy's despatch No. 432 [423] of July 31, 1935. The note in question was presented on August 14th. It bears the date August 13th. Mr. German Vergara, the Under Secretary who is in charge of exchange matters, read the note and commented on the fact that restrictions were now being imposed only on automobiles and radios. I replied that we were very glad to know that they were not to be continued with regard to the other articles referred to in our note and that I was sure that if the Foreign Office desired, permission could be obtained from the Department to excise from the note reference to the articles which were not now affected. Mr. Vergara stated that this was not necessary as the Foreign Office would reply to our note and in its reply would clear up this point. He added that he thought American commerce as a matter of fact received very good treatment in Chile, better for example than it was receiving at the hands of Germany, France and many other countries; that we were really satisfied with our situation in Chile as indicated by the fact that we had not hurried to press for a commercial treaty with Chile as it [we?] had done in the case of Haiti, Brazil and other countries. No very specific reply was made to this, since our position with regard to a commercial treaty with Chile has not crystallized. I merely stated that it was presumed that there were many other factors entering into the desirability of concluding a

commercial treaty, other than the one referred to by the Under Secretary.

Adverting to the import restrictions under discussion, Mr. Vergara stated that he did not believe that they would be kept in effect for very long against special commodities, but that the government would find a way to save exchange availabilities through the application of more general measures. He added that in any case he did not feel that importers were suffering very greatly since, with the exception of the Ford Motor Company, they were financing purchases in the bootleg market and in his opinion could continue to do so with perfect impunity. Commenting on this point, it was pointed out that it was understood that in addition to the Ford Motor Company, the RCA-Victor Company and possibly other firms had refused to enter the bootleg market whose use certainly placed the importers in an anomalous position in view of the definite attitude taken by the Minister of Finance with regard to its illegality.

The Under Secretary then admitted that the question was giving the Foreign Office considerable trouble as the Germans as well as ourselves were making a rather vigorous protest with regard to these restrictive measures. The latter point was confirmed in a conversation which I had yesterday with Baron von Schoen, the German Minister, who informed me that Berlin was extremely annoyed at the restrictions on automobiles and that under instructions from his Government, he was making a vigorous oral protest about the situation. The German Government, he added, took the view that these restrictions were in direct violation of Chile's treaty obligations under its compensation treaty with Germany.

Respectfully yours,

WINTHROP R. SCOTT

625.116/28

The Chargé in Chile (Scott) to the Secretary of State

No. 454

SANTIAGO, August 28, 1935.

[Received September 6.]

SIR: I have the honor to refer to this Embassy's despatch No. 423 of July 31, 1935, concerning the discriminatory measures taken against American trade and to enclose herewith a copy of the note (with translation) dated August 23, 1935, which has been received from the Foreign Office in reply to the Embassy's note on this subject, dated August 13th, which was sent in accordance with the authorization contained in the Department's telegram No. 49 of August 13, 7 P. M., and a copy of which was submitted in despatch No. 423 referred to above.

As will be seen, the reply of the Foreign Office does not change in any essential respect the more specific statement of policy which was embodied in the Chilean Government's memorandum dated August 2nd, enclosed in despatch No. 430 of August 6, 1935. We may note the following points:

a) The note definitely states that the restrictive measures are limited to automobiles and radio sets, spare parts for same not coming within their purview (the restrictions were originally applied against spare parts, tires and rubber goods, but were liberalized subsequent to the drafting by the Embassy of our note). As previously stated, in discussing the question with the Foreign Office, the Embassy offered to delete from our note references to the commodities which had been liberated from restriction, but the Foreign Office did not deem this particularly important.

b) While not setting a time limit to the restrictions, it states in a rather definite way the intention of the Chilean Government that they be of a temporary nature.

c) Attention is called to the alleged fact that importers are left free to provide themselves with their own exchange availabilities, to finance imports of automobiles and radio sets.

d) The note draws the conclusion that the explanations furnished in the Memorandum referred to and in the note itself make it unnecessary for the Chilean Government to take note of (presumably reply to) the affirmation made with regard to the acquiescence on the part of the American Government concerning the policy of the Chilean Government.

No special comment is necessary with regard to points a) and b) above, except perhaps to state that it is satisfactory to obtain again specific assurances that the measures are limited to only two commodities and that the Chilean Government anticipates that they will be of a temporary character. With regard to point c), somewhat more extended comment is necessary. As has been pointed out, the Chilean Government takes a thoroughly inconsistent, illogical and unsatisfactory point of view with regard to the bootleg market. On the one hand, Señor Ross, the Minister of Hacienda, who is in a position to speak more authoritatively than anyone else in Chile, states most categorically that the bootleg market is illegal and that users of this market do so at their own risk. On the other hand, in seeking to apologize for the measures restricting American trade, the Foreign Office reiterates the fact that after all, importers have little to complain of since they can always finance their importations in the bootleg market. Obviously this is an anomalous situation and the fact that as a practical matter many importers have, during recent months, had recourse to the bootleg market does not serve to regularize a *status quo* which is thoroughly unsatisfactory. The effect is merely to introduce a new discrimination in favor of small concerns or more unscrupulous

firms against those who are unwilling to engage in illegal operations as a matter of principle or who, because of their size or the nature of their organization in Chile, are afraid to do so. Among firms of the latter type may be mentioned particularly the Ford Motor Company and the RCA Victor. The Ford company assembles its cars in Chile and can not pass on to its clients the responsibility of carrying on bootleg operations to purchase its products. The RCA Victor Company is in a somewhat similar situation through the nature of its business as a wide distributor of radio sets in various lots and quantities throughout the country. The result is that neither of these organizations finds it practicable or dares to avail itself of the bootleg market. As a matter of fact, the Embassy understands that protests in Washington against the present situation are contemplated by representatives of both of these firms in the near future. When the Foreign Office has suggested the feasibility of the use of the bootleg market, the Embassy has always pointed out the illogical character of this suggestion and proposes to maintain this same position making reference again to this point on a suitable occasion when exchange matters are being discussed.

In the Embassy's opinion, while the reply of the Chilean Government is not particularly satisfactory, it is not suggested that a further formal communication on our part be made at this time. The Embassy's note has served its purpose in making it clear that we are not disposed to be indefinitely quiescent with regard to a situation which constitutes a *de facto* discrimination against American trade. As has been reported in other despatches, the situation of the Government is critical at the present moment and it is possible that there may be a rather radical change in the composition of the Administration in the near future. In this case, it is quite possible that new orientations with regard to Chile's trade policies may involve the consideration of questions much more important than those with which we are now dealing. However, in the event that the present Administration recovers its control of affairs, it is believed that it is its sincere desire to do away with the restrictions as soon as possible. In addition to these considerations, should it be found feasible to enter into a commercial treaty with Chile, such a treaty should of course provide a satisfactory solution for the problem of the treatment of American commerce. For these various reasons, the Embassy believes that further formal action should not be taken for the moment unless our present difficulties are aggravated by other restrictive measures on the part of the Chilean Government.

Respectfully yours,

WINTHROP R. SCOTT

[Enclosure—Translation]

The Chilean Minister for Foreign Affairs (Cruchaga) to the American Chargé (Scott)

No. 5694

SANTIAGO, August 23, 1935.

MR. CHARGÉ D'AFFAIRES: I have pleasure in replying to your note of the 13th of the current month, in which you found occasion to refer to the measures adopted by the Government of Chile for the limitation of authorizations for the purchase of export drafts covering the importation of automobiles, automotive parts, and radios and parts. You state that you have taken note of the reasons on which those measures are based and that, under instructions from your Government, you desire to make clear "that it would not be possible to acquiesce in a policy of reserving exchange availabilities for an indefinite period or for an extended period, thus sacrificing trade in articles which are for the most part of American origin; nor would it be possible to accept a policy which had the effect of paralysing indefinitely the transfer of frozen American credits". You conclude expressing appreciation for the cooperation of this Government in matters affecting the commerce between our two countries.

I must at once reiterate to you the views set forth in the Memorandum which this Ministry addressed to you on August 2nd, in which the various aspects of Chilean-American commerce were analysed in relation to the measures to which you have alluded. As that document says, the restrictions include only automobiles and radio sets, without affecting the spare parts for either. Furthermore, they are transitory, although a definite period can not be fixed because the causes which gave rise to such measures are themselves not determinate; and finally, although it is true that by the application of these measures the importation of certain articles, in part of American origin, may be diminished, the importer is left free to provide himself with his own exchange availabilities or to import, with the same export drafts, other American merchandise.

These and other explanations in the Memorandum under reference make it unnecessary for me to take note of your affirmations with regard to the acquiescence or acceptance by your Government of the policy adopted by the Government of Chile in defense of that which is regarded as of vital importance for its internal economy and for the normal development of its foreign trade.

In the spirit of cooperation alluded to by you, which really exists and which, reciprocally, it has given me great pleasure to manifest in any measure which it has been necessary to take up with the Govern-

ment of Washington, I venture to trust that the ample comprehension of your Government will eliminate any possible difficulty concerning this problem.

I reiterate [etc.]

MIGUEL CRUCHAGA T.

625.116/28a : Telegram

The Secretary of State to the Chargé in Chile (Scott)

WASHINGTON, September 10, 1935—6 p. m.

53. The Counselor of the Chilean Embassy has called the Department and read an instruction received from Doctor Cruchaga, in which the latter expressed some apprehension regarding the penultimate paragraph of the note which you were authorized in the Department's 49, August 13, to present to the Chilean Government, apparently feeling that the phraseology used indicated some attempt at interference in matters of Chilean domestic economy, and also that it appeared to close the door to any further discussion of these questions.

We said to the Counselor that there had evidently been a misconception regarding the intent and meaning of the paragraph in question, since neither this Department nor the Embassy could ever have the slightest thought of attempting to interfere in matters of Chilean domestic policy; the intent and meaning of the paragraph were that the existing temporary measures of the Chilean Government regarding restriction of commerce and the blocking of the transfer of American frozen credits were proving injurious to American trade, and that we had every confidence, counting upon the known friendliness and spirit of fairness of the Chilean Government, that it would soon find a way to remove these restrictions. We further pointed out that the note did not in any sense seek to close the door to further discussions, but that on the contrary the Embassy would welcome the opportunity of further discussion of these matters with Chilean officials on any and all occasions.

HULL

625.116/31

The Chargé in Chile (Scott) to the Secretary of State

No. 500

SANTIAGO, October 29, 1935.

[Received November 7.]

SIR: I have the honor to refer to this Embassy's despatch No. 441 of August 16, 1935, and previous communications regarding the difficulties of our commerce in Chile. In this connection, having learned

of two new developments, it was felt desirable to discuss them in an informal way with the Foreign Office. The first point was the fact that a short time ago the British had been accorded authorization for the transfer of sterling accounts. One consisted of certain collections in the Magallanes and Valparaiso districts which were authorized some weeks ago. The second transfer consisted of certain blocked credits in Santiago. The second point which has arisen in connection with exchange restrictions concerned the apparent extension of exchange restrictions to include automobile tires and spare parts. It will be recalled that originally authorizations were held up for American tires, but after some conversation on this subject the Minister of Finance stated that it was not desired to restrict the importation of these articles and pending orders were released. Recently American tires importers have complained to the Embassy that their *solicitudes* for the obtention of export drafts have been held up or not authorized by the Exchange Control Commission and that it appeared, therefore, that in effect the restrictions were being extended to include tires.

A conversation was held at the Foreign Office on October 26th concerning these matters and a record of the same is enclosed.¹¹ With regard to the transfer of frozen credits or blocked funds on deposit in banks, it will be noted that the Under Secretary for Foreign Affairs requested the Embassy to furnish a list of funds whose transfer was desired. This list was furnished in conformity with this suggestion, a copy of the Embassy's Memorandum on this subject being enclosed.¹¹

With regard to the extension of restrictions to tires and automobile spare parts, there is enclosed a copy,¹¹ with translation, of a letter just received from the Under Secretary on this point. The reply is typical of the attitude now being adopted by Chile with regard to our commerce and, as will be seen, on the one hand it states that there are no restrictions on the importation of spare parts and tires, but it then states that certain authorizations for the latter have been only accorded for a future time when exchange availabilities are sufficient to prevent a rise in the dollar. In other words, tires in reality are on exactly the same basis as automobiles and radios since, according to the Chilean Government's statements, the restrictive measures are in all cases only temporary and designed to place a check upon the use of dollar exchange.

As the thoroughly unsatisfactory treatment we are receiving on the two points mentioned above is only part of the present situation with regard to American commerce in Chile, the entire question is being made the subject of a more comprehensive report.

Respectfully yours,

WINTHROP R. SCOTT

¹¹ Not printed.

DISCRIMINATION AGAINST FOREIGNERS IN FEES CHARGED FOR REGISTRATION OF PATENTS AND TRADE MARKS IN CHILE

825.542/6

The Chargé in Chile (Scotten) to the Secretary of State

No. 275

SANTIAGO, January 21, 1935.

[Received January 31.]

SIR: I have the honor to advise the Department of the discrimination existing in Chile against foreigners who apply for patent and trade mark registration. This discrimination takes the form of excessively high registration fees charged foreigners which now amount to four times those charged Chilean nationals.

Decree Law No. 588, of September 29, 1925, known as the Industrial Property Law, created the Chilean Patent Office for the registration of patents and trade marks and established the following tariff of registration fees, applicable to Chilean nationals as well as foreigners:

<i>Patent:</i>	<i>Cost of Registration (Fiscal Tax in Chilean pesos)</i>
Patent of Invention, for 5 years.	100 pesos
Patent of Invention, for 10 years	200 "
Patent of Invention, for 15 years	500 "
Patent of Invention, for 20 years	1000 "
Renewal of Patent, 5 to 10 years	300 pesos
Renewal of Patent, 5 to 15 years	600 "
Renewal of Patent, 10 to 20 years.	1000 "
Precautionary Patent, 1 year.	30 pesos
Precautionary Patent, Renewal for 2nd year	90 "
Transferral of Patent.	50 pesos
Duplicate of Titled Patent.	20 pesos
<i>Trade Marks:</i>	
Registration of Trade Mark, 10 years	50 pesos
Renewal of Registration for 2nd period of 10 years	150 "
Each further 10 year renewal.	200 "
Transferral of Trade Mark	30 pesos
Duplicate of Title at request of interested party	10 pesos

Pursuant to the authority contained in Law No. 5107 of April 19, 1932, the Central Bank of Chile immediately revalued the peso at three pence gold, or 50% of its former value. On June 27, 1932, Decree Law No. 65 (translation enclosed)¹² came into force. This law provides that the fees for registering patents and trade-marks petitioned by persons or firms resident outside of Chile, shall be paid in local currency with the corresponding gold surcharge. Since the surcharge was fixed at 100% the effect of the law was to double the fees payable in Chilean pesos when the service was performed for persons or firms resident outside of Chile, while the charges remained the same as previously for those resident within the country.

¹² Not printed.

On January 2, 1935, the Central Bank again revalued the peso at 1½ gold pence, or one fourth of the original gold value of the peso. Consequently, the gold surcharge was increased to 300%, thus making the fees payable for foreigners four times the original amount authorized in basic Law No. 588 of September 29, 1925, which created that Office. Registration fees for Chileans remained the same. It is understood that certain foreign interests have voiced protests without avail.

In the past the Chilean legislation with perhaps a few minor exceptions, has placed foreigners on an equal footing with Chileans in the exercise of their respective rights, tributary charges in general falling upon all without discrimination. Furthermore, the Under Secretary for Foreign Affairs has stated that it is the policy of the Chilean Government, with very few and unimportant exceptions, to accord national treatment to foreigners. It might be added that the Spanish version of a commercial treaty proposed by Chile with the United States, transmitted to the Department with Despatch No. 92 of January 21, 1929,¹³ contained the following clause:

"The nationals of either High Contracting Party within the territories of the other shall not be subjected to the payment of any internal charges or taxes other or higher than those that are exacted of and paid by its nationals."

This recent difficulty with respect to extra charges payable by foreigners for patent and trade mark registration in Chile, deviates sharply from the foregoing principle.

In view of the fact that the fees now being charged by the Chilean Patent Office are so high as to be virtually prohibitive for Americans and other foreigners desiring to register patents and trade marks in Chile, the Embassy feels that it might be desirable to discuss the matter informally at the Foreign Office. It is understood that the Minister of Finance is personally opposed to the high schedule of fees and would welcome having the question raised by some government in order to have a reasonable excuse for lowering the tariff. The Embassy has hesitated about discussing the matter at the Foreign Office in view of the fact that the fees are not discriminatory against Americans as opposed to the nationals of other countries. The Department's instructions in the premises would be appreciated.

Respectfully yours,

ROBERT M. SCOTTEN

¹³ Not printed; see *Foreign Relations*, 1931, vol. I, p. 919, footnote 3.

825.542/7

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

No. 142

WASHINGTON, April 30, 1935.

SIR: There is enclosed a copy of a letter dated April 16, 1935,¹⁴ addressed to the Department by the law firm of Langner, Parry, Card and Langner, Tyler Building, 17 John Street, New York City, stating that American concerns which have filed patent or trade-mark applications in Chile are now subjected to a doubling of the Government fees, in addition to an increase of 200 percent by which these fees were raised in 1933, so that a total increase of 400 percent in such fees is now stated to be required by the Chilean Government. There is also enclosed a copy of the enclosure to this letter entitled "Report of Chilean Patent Attorneys dated March 13, 1935,"¹⁴ concerning the increase in Government taxes in Chile, in which a brief résumé of the situation is given.

The situation disclosed by the enclosed correspondence appears to be substantially similar to that reported in your despatch No. 275 of January 21, 1935, except that Langner, Parry, Card and Langner state that they regard the charges under reference as discriminatory against American nationals as compared with citizens of France, while in your despatch under reference you state that the fees are not discriminatory against Americans as compared with nationals of other countries. It also appears from the report of the Chilean Patent Attorney enclosed herewith that it was not the intention of the Chilean Government to increase fees for foreign patent and trademark applications and that a bill was introduced in the Chilean Congress to remedy the situation, of which complaint is made in the enclosed correspondence, but that the Congress closed its extraordinary session without enacting the proposed legislation and will not convene again until the end of May next.

In view of this situation, it is assumed that the Chilean Government will take the necessary steps to effect the enactment of the proposed law at the next session of the Chilean Congress but if you should consider that such a course would be desirable, you are authorized to express to the Foreign Office informally the hope of this Government that the Government of Chile will insure the enactment at the earliest possible date of legislation to remove the existing discrimination against American patent and trade-mark applicants.

Very truly yours,

For the Secretary of State:
SUMNER WELLES

¹⁴ Not printed.

825.542/8

The Chargé in Chile (Scotten) to the Secretary of State

No. 377

SANTIAGO, June 10, 1935.

[Received June 20.]

SIR: I have the honor to refer to the Department's instruction No. 142 of April 30, 1935 (File No. 825.544/8 [825.542/7]), with reference to discrimination against foreign applicants for patent and trade mark registration in Chile, resulting from the imposition of a gold surcharge on the fees payable by such foreign applicants which had the effect of making fees to be paid by the latter 400% higher than those paid by citizens of Chile.

Shortly after my despatch No. 275 of January 21, 1935, reporting this situation, the Chilean Government introduced a bill for the consideration of Congress which aimed at the elimination of the discriminatory features of the situation described in that despatch. This bill, dated January 25, 1935, was not acted upon by the special session of the Chilean Congress which met from April 22, 1935, to May 22, 1935, and is now on the agenda of the Finance Commission of the Chamber of Deputies. A translation of the bill is enclosed herewith.¹⁵ In effect it seeks to create a schedule of fees for trade mark and patent registration which is equal to those fees plus gold surcharge which have been paid by foreign applicants from the inception of Decree Law No. 65 on June 27, 1932, to December 31, 1934. Foreign applicants will not pay less under the new law, but they will be placed on a basis of equality with Chilean applicants, who will pay considerably higher fees than the schedules established by the last legislation on the subject: Law 5154 of April 10, 1933, Article 56.

Acting under the Department's instruction of April 30th, the Embassy informally expressed to the Foreign Office the hope of the American Government that the Government of Chile would ensure the speedy enactment of legislation to remove the existing discrimination against American patent and trade mark applicants. The Foreign Office endeavored to ascertain the prospects for prompt passage of the draft law; but apparently it must wait its turn for consideration on the agenda of the Finance Commission of the Chamber of Deputies. The Department will be kept informed as to the progress of this pending legislation.

In the meantime discrimination exists as between Chilean applicants for trade mark and patent registration as compared with foreign applicants; but there appears to be no discrimination as between foreign applicants of various nationalities as, for example, the French vis-à-vis Americans. Possibly the alleged advantage

¹⁵ Not printed.

enjoyed by French applicants referred to in the Department's instruction under reference arose from the availabilities of foreign exchange rather than from some concession granted in connection with patent and trade mark applications. The basic Decree-Law No. 65 which established the gold surcharge made no distinction as between foreign nationalities, but only as between "foreign persons or firms resident outside the territory of the Republic" and citizens of Chile.

Respectfully yours,

ROBERT M. SCOTTEN

825.542/9

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

No. 10

SANTIAGO, November 12, 1935.

[Received November 19.]

SIR: I have the honor to refer to the Department's instruction No. 142 of April 30, 1935 (File No. 825.542/8[7]) and the Embassy's despatch No. 377 of June 10, 1935 with reference to discrimination against foreign applicants for patent and trade mark registration in Chile, resulting from the imposition of a gold surcharge on foreign applications 400% higher than the fees assessed Chilean applicants.

In the despatch under reference the Department was informed that a draft bill designed to remove this inequality of treatment was pending the consideration of Congress. No action was taken by the ordinary session of the national legislature, but the project of a revised trademark and patent registration law, considerably modified by the Finance Commission of the Chamber of Deputies, was placed upon the agenda of the extraordinary session of Congress convoked by the President on October 28th. A translation of this draft bill, which appeared in Session Bulletin No. 3038, is enclosed.¹⁸ With the project of law went an Executive Message which expressed the opinion that the basic Decree Law No. 65 of June 23, 1932 (cf. Despatch No. 275 of January 21, 1935) was unconstitutional, on the grounds that

"The surcharge established by Decree Law No. 65 implies a disregard of the constitutional precept which assures the equal assessment of taxes and contributions, and constitutes an exception without basis within Law No. 5434".

In the debate on the bill which took place in the Chamber of Deputies on November 6th the Vice-President of the Chamber, Sr. Fuenzalida, refuted this portion of the Executive Message by pointing out that Decree Law No. 65 provides for the 400% gold surcharge only for persons or corporate entities resident outside the Republic, whereas

¹⁸ Not printed.

the constitutional provision for equality of treatment in taxation applies only to "the inhabitants of the Republic".

In spite of some defense of the Government's advocacy of the revised trade marks bill, the cogent point of Sr. Fuenzalida that should the bill be passed the income of the State would be reduced by some 400,000 pesos a year—pesos derived from foreign registrants under existing legislation—served to defeat the motion, which was rejected by a vote of 20 to 11.

It appears, therefore, that in spite of the best efforts of the Government to eliminate the discriminatory features of Decree Law No. 65 the existing unsatisfactory situation will continue as it has during the past three years. The one avenue by which possible escape from the onerous anti-foreign 400% surcharge might be realized would seem to be suggested by Sr. Fuenzalida himself, when he said that the Constitution guarantees equality of taxation for all inhabitants of the Republic. Applicants for patents or trade marks who are inhabitants of Chile, whether of alien nationality or not would appear to be entitled to pay the lower fees now demanded of Chilean citizens. Decree Law 65 itself states that the surcharge on patent and trade mark applications shall be exacted only from "persons or commercial or industrial firms resident outside the territory of the Republic". There would therefore seem to be no objection to a foreign applicant for a patent or trade mark presenting his application through the medium of an agent resident in Chile. In the case of large American firms their local branches are incorporated under Chilean law and are, within the terms of Decree Law No. 65, to be considered as juridical persons inhabitants of Chile.

Respectfully yours,

HOFFMAN PHILIP

825.542/9

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

No. 23

WASHINGTON, December 12, 1935.

SIR: The receipt is acknowledged of your despatch No. 10, of November 12, 1935, relating to discrimination against foreigners applying for patent and trade mark registration in Chile.

It appears that Chile is not a party to any treaty with the United States by virtue of which this Government could demand national treatment for American applicants for patent and trade mark registration, and since it appears from your reports that the Chilean law under consideration does not discriminate against Americans as compared with all other foreign applicants, there would not appear to be any basis for protest. However, before considering the matter further the Department desires the Embassy to confirm or clarify the state-

ment contained in the last paragraph of the Embassy's despatch under acknowledgement to the effect that a foreign applicant might obtain the benefit of the lower fees chargeable to local applicants by "presenting his application through the medium of an agent resident in Chile". It is not clear whether an applicant applying for a trade mark or patent registration in Chile could have his trade mark or patent registered in his own name, although the application be submitted by a local agent, and at the same time obtain the benefit of the lower rates of registration.

It seems doubtful that the Chilean authorities would concur in the above view since its general adoption would permit the circumvention of the law imposing higher fees on foreign applicants. On the other hand, if the benefit of the lower fees could be obtained only by having the local agent register in his own name the foreign trade mark or patent would assume a risk much more important than the payment of the higher fees charged to foreign applicants.

Very truly yours,

For the Secretary of State:
R. WALTON MOORE

825.542/10

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

No. 68

SANTIAGO, January 9, 1936.
[Received January 18.]

SIR: I have the honor to refer to the Department's instruction No. 23 of December 12, 1935, relating to discrimination against foreigners applying for patent and trade mark registration in Chile, and requesting the Embassy to confirm or clarify the statement contained in the last paragraph of its despatch No. 10 of November 12, 1935, to the effect that a foreign applicant might possibly obtain the benefit of the lower fees chargeable to local applicants by presenting his application through the medium of a Chilean citizen.

The matter was discussed with the Chief of the Section of Patents and Trade Marks of the Ministry of Fomento, who informed the Embassy that the benefit of the lower fees chargeable to applicants resident in Chile would be extended to a local agent of the foreign applicant only in his own name, the patent or the trade mark being considered as the personal property of the agent. An application submitted by a local agent in the name of an applicant resident outside of Chile would pay the 400% surcharge provided for by the present law.

It is evident, therefore, that a non-resident applicant applying for trade mark or patent registration in Chile could not have his trade mark or patent registered in his own name through a local agent and at the same time obtain the benefit of the lower rates of registration.

Respectfully yours,

HOFFMAN PHILIP

COLOMBIA

RECIPROCAL TRADE AGREEMENT BETWEEN THE UNITED STATES AND COLOMBIA, SIGNED SEPTEMBER 13, 1935¹

611.2131/279 : Telegram

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

Bogotá, January 17, 1935—6 p.m.

[Received 9:10 p.m.]

10. My 4, January 3, 4 p.m.² The illness of several responsible officials, the Colombian Government's preoccupation with the Rio de Janeiro Pact,³ internal financial problems and other matters have caused repeated postponements of the meeting of the various officials concerned, which was scheduled for last week to consider the United States Government's revised proposals for a commercial treaty. It now appears probable that the first meeting will not be held until next week and there may now be considerable discussion when they begin.

Commercial Attaché has had several private conversations with Dr. Arturo Hernandez, Chief of the Customs Tribunal, who was one of the Colombian negotiators of the treaty signed in December 1933.⁴ The latter has raised certain objections to the revised proposals. These concern the elimination of the anti-dumping clause; the change in the wording of article 2 to read "ordinary customs duties" instead of "all customs duties"; the revision of the old article 4; the last two paragraphs of article 7 which he considers superfluous between two friendly nations; and article 10.

Commercial Attaché has been discussing these objections personally with Hernandez and entertains hopes of causing him to modify them before the plenary meeting by means of the arguments put forth in the Department's memorandum and telegrams on the subject.

Hernandez's word will be highly regarded as that of an expert on the question but it is felt that his objections may not carry as great weight as might be expected when he meets the other officials as several of

¹ For previous correspondence, see *Foreign Relations*, 1934, vol. v, pp. 66 ff.

² Not printed.

³ For correspondence concerning the Leticia dispute, see pp. 199 ff.; for text of the Rio de Janeiro Pact, see *Foreign Relations*, 1934, vol. iv, p. 361.

⁴ Unperfected treaty signed December 15, 1933, *ibid.*, 1933, vol. v, p. 249.

them, including the President, have expressed a definite desire to conclude a commercial treaty with the United States and put it into effect at the earliest opportunity.

WASHINGTON

611.2131/279 : Telegram

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

WASHINGTON, January 23, 1935—6 p.m.

3. Your No. 10, January 17, 6 p.m. Please say to the Minister for Foreign Affairs that, while it is realized that events have delayed consideration of the proposed trade agreement, the Department would greatly appreciate an early reply to the proposals contained in the note handed to the Colombian Chargé d'Affaires in Washington on December 10 last.⁵ You may inform the Minister for Foreign Affairs it is hoped that a trade agreement will be signed with Brazil during the next few days.⁶

If counter proposals are made to the draft trade agreement and a copy of them is made available to you, please transmit the complete text by air mail, cabling a summary of the more important changes.

Is it expected that the Colombian congress will remain in session long enough to consider the proposed trade agreement if signed within the next 10 days or so?

HULL

611.2131/283 : Telegram

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

BOGORÁ, January 23, 1935—6 p.m.

[Received 9:55 p.m.]

11. My telegram No. 10, January 17, 6 p.m. The Secretary of the Ministry for Foreign Affairs informed me this morning that he had received and forwarded to the President a report from the Minister of Finance on the subject of the United States Government's new proposals for a commercial treaty with Colombia. He implied that the report had been written by Dr. Hernandez. He would not disclose the details of this report but declared that in the opinion of the Finance Minister the new proposals disregard many matters which were discussed thoroughly and agreed upon by the Colombian and

⁵ *Foreign Relations*, 1934, vol. v, p. 72.

⁶ Signed February 2, 1935; see pp. 300 ff.

American delegates when they negotiated the treaty which was signed in December 1933; that the Finance Minister considers the changes very fundamental and therefore recommends fresh negotiations; that the Act of June 12, 1934,⁷ appears to the Finance Minister to grant to the President of the United States the power to include a greater part of the concessions granted in the original treaty than have been included in the revised proposals. The Secretary, who has talked with Hernandez and appears to be reiterating the latter's viewpoint, informs me that the American proposals will necessitate a change in the Colombian Government's policy regarding commercial treaties now being negotiated with other countries as they have all been based upon the original American treaty. He also informs me that if the President should veto the recommendations of the Finance Minister and approve the revised proposals of the American Government in principle, he believes there would be difficulty in obtaining ratification of the new treaty by the Colombian Congress because the Foreign Relations Committee of the Senate approved the original treaty and consented to negotiate a new one on the understanding that the changes to be requested by the United States would be only nominal.

The matter now rests with President Lopez, who is expected to return to the city today from his country home and probably has as yet had little opportunity for studying the report of the Minister of Finance. If I could see the President I might be able to influence his decision and prevent an unfavorable reply being given to the American proposals. However, it now appears to me that the principal obstacle ahead is the Senate Committee which will undoubtedly summon Dr. Hernandez to render his opinion. Should the President decide to accept the proposals in principle there would remain the doubt as to whether his attitude would influence the decision of the Committee and the vote of the Senate which has recently shown a disposition to oppose him. Due to the President's policy of avoiding diplomats I would have no opportunity of seeing him unless I were instructed to request an audience with him for the purpose of conveying some message from the United States Government.

WASHINGTON

611.2131/284 : Telegram

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

BOGOTÁ, January 24, 1935—9 a.m.

[Received 11:05 a.m.]

12. Your telegram No. 3, January 23, 6 p.m. Does my telegram No. 11, January 23, 6 p.m., affect the instruction that I see the For-

⁷ 48 Stat. 943.

sign Minister? There appears to be no likelihood of an early adjournment of Congress.

WASHINGTON

611.2131/284 : Telegram

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

WASHINGTON, January 24, 1935—8 p.m.

5. Your 11, January 23, 6 p.m., and 12, January 24, 9 a.m. Department does not believe it advisable for you to attempt to see the President on the question of the trade agreement, at least for the time being.

Please, however, call on the Foreign Minister at once and, as stated in Department's 3, January 23, 6 p.m., say to him that the Department would greatly appreciate an early reply to the proposals contained in the note handed the Colombian Chargé d'Affaires in Washington last December.⁸ Say that the Department is prepared to give the most sympathetic consideration to any modifications or suggestions which the Colombian Government may desire to make. Please explain that time is of the essence and that we greatly hope Colombia may be able to formulate any modifications or suggestions at the earliest possible date and to make copies of them available to you. As soon as you receive texts of any such proposals cable a summary sending full text by air mail.

The Department is prepared to send an expert to Bogotá to explain and discuss the changes proposed in the Agreement signed December 15, 1933, if this would expedite agreement. Please inquire whether such action is desired by the Colombian Government.

HULL

611.2131/287

*Memorandum by the Chief of the Division of Latin American Affairs
(Wilson)*

[WASHINGTON,] January 25, 1935.

Dr. González-Fernández, Chargé d'Affaires of Colombia, being ill, I asked Mr. Sáenz, Commercial Attaché of the Legation, to come to see me. I said to him that I wished to keep the Legation informed of everything pertaining to the pending trade agreement, and I therefore wished to advise him that last night we had cabled our Chargé d'Affaires in Bogotá of our interest in receiving an early reply from the Colombian Government to the proposals contained in our note of last December to the Colombian Legation. I said that we appre-

⁸ *Foreign Relations*, 1934, vol. v, p. 72.

ciated fully that recent events in Bogotá had made it difficult for the Colombian authorities to study our proposals. Time was very important, however, as we hoped to sign an agreement with Brazil within the next few days and we would therefore greatly appreciate receiving as soon as possible any suggestions or modifications which the Colombian Government might wish to present. I said we were prepared to give the most sympathetic consideration to such suggestions. I explained that, as Doctor Sáenz knew, it had been necessary to make one or two changes of substance in the new proposals as compared with the agreement signed in December 1933, in order to bring the proposed agreement within the limits of the authority granted the Executive under the Trade Agreements Act; I said that, subject to such necessary changes, we would be prepared, if the Colombian Government so desired, to restore as nearly as might be possible the phraseology used in the agreement of December 1933. In order, however, to give consideration to the Colombian views it was of course necessary that we should be informed as to their views, and we would therefore greatly appreciate it if it were possible to expedite consideration of the matter. I added that we were prepared to send an expert to Bogotá to explain the technical reasons why certain changes had been proposed, if the Colombian Government felt this would expedite consideration of the matter and desired this be done. Dr. Sáenz said that his information indicated that his Government also desired to expedite action on the matter and that he had not heard of any reason why the proposals which we had recently made might not be accepted by Colombia. However, he would cable his Government of our interest in hearing something definite from the Colombian Government at the earliest possible moment.

EDWIN C. WILSON

611.2131/284 : Telegram

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

WASHINGTON, February 8, 1935—noon.

13. Department's No. 5, January 24, 8 p.m. The Department is gratified to learn from your telegram No. 19 of February 5, 10 a.m.⁹ that the Colombian Government plans to expedite conclusion of Trade Agreement. Has the Government indicated any modifications or suggestions with respect to the draft agreement or intimated whether it desires the Department to send an expert to Bogotá?

HULL

⁹ Not printed.

611.2131/292 : Telegram

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

BOGOTÁ, February 8, 1935—5 p.m.

[Received 7:35 p.m.]

25. Department's 13, February 8, noon. Preoccupation of responsible officials with the Rio de Janeiro Pact has prevented any consideration being given to commercial treaty during recent weeks and I believe that they have reached no decision regarding the proposals made in the Department's 5, January 24, 8 p.m. I have repeatedly explained to Foreign Minister Olaya your interest in expediting its conclusion but he has not yet had time to study the question in detail. Yesterday he mentioned the matter to me on his own initiative and promised that he would devote his attention to it early next week. I shall not fail to keep him reminded.

WASHINGTON

611.2131/293 : Telegram

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

BOGOTÁ, February 13, 1935—5 p.m.

[Received 6:35 p.m.]

28. My telegram No. 25, February 8, 5 p.m. Foreign Minister Olaya informed me this morning that he is very anxious to expedite the negotiations for a commercial treaty but that the Colombian Government's advisers in this matter, of whom the principal one is Hernandez, are very much perturbed over the proposals submitted by the American Government in its memorandum of December 10¹⁰ to the Colombian Chargé d'Affaires ad interim. He says that they consider that the proposals alter some of the most fundamental provisions of the treaty signed in December 1933. I replied that I believed the United States Government was disposed to give sympathetic consideration to any counter-proposals which might be made by Colombia and I repeated your offer to send an American expert to Bogotá. He stated that problems of internal politics as well as the negotiations with Peru regarding the Rio de Janeiro Pact are occupying a great deal of his time at present and that his next conference with Hernandez will be on Tuesday next week. He promised that on Wednesday or Thursday of next week he would give me an appointment for the purpose of indicating the reply of the Colombian Government to the proposals of the United States Government.

WASHINGTON

¹⁰ *Foreign Relations*, 1934, vol. v, p. 72.

611.2131/296

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

No. 536

Bogotá, February 16, 1935.

[Received February 20.]

SIR: I have the honor to refer to my telegram No. 28 of February 13, 5 p. m. and previous communications regarding the proposed commercial treaty between the United States and Colombia.

The delays on the part of the Colombian Government in giving a reply to the proposals made by the United States Government to the Colombian Chargé d'Affaires at Washington on December 10, 1934 do not indicate any lack of desire on the part of the former to negotiate such a treaty. The difficulties which the executive encountered in trying to obtain approval of the Rio de Janeiro Pact prevented for several weeks any consideration being given by the higher officials of the Government to the commercial treaty with the United States. As stated in previous communications from this Legation, the American proposals upon their receipt in Bogotá were entrusted for study to Dr. Arturo Hernandez, Chief of the Customs Tribunal and one of the delegates who negotiated the original commercial treaty with the United States. When he made his report its unfavorable nature evidently caused surprise and a certain amount of consternation to the officials of the Foreign Office and the President of the Republic, who had hoped to bring the matter to an early conclusion.

Dr. Olaya became Minister for Foreign Affairs for the principal purpose of placating Peru in the face of the refusal of the Colombian Senate to approve the Rio de Janeiro Pact and since he assumed office his time has been very much occupied with this matter. However, he has given definite evidence of a desire to strengthen the relations between Colombia and the United States. When he was informed of the interest which the American Government has in the early negotiation of a commercial treaty he expressed a desire to expedite the negotiations as quickly as possible, although he was not then aware of the existence of Dr. Hernandez' report.

Both President López and Dr. Olaya feel that Dr. Hernandez is the Government's principal advisor in questions of customs duties and they undoubtedly fear that even though they might overrule some of his recommendations, yet without his support no treaty would pass the Colombian Congress. The details of Dr. Hernandez' report are not known, but it is believed that he objects principally to the elimination of the Anti-dumping Clause from the new proposals and changes which might be interpreted to make possible the imposition of certain internal taxes in the United States upon coffee, which Dr. Hernandez believes were prohibited by the original treaty.

Many conferences are being held among the interested officials to decide upon the attitude that should be assumed by the Colombian Government in the present situation. Some concern is naturally being felt over the fact that the Brazilian-American treaty has been signed and it is feared by the Colombians that Brazil may gain an advantage. There is also a distinct feeling that the Colombian Chargé d'Affaires in Washington does not adequately represent his country. To remedy this situation it has been decided to appoint Sr. Miguel López Pumarejo as Minister to the United States. Although he is a brother to Alfonso López, his appointment is not considered political as he has never taken part in Colombian politics and during recent years has been identified entirely with the coffee exporters. He has an advantage of being already in the United States and will undoubtedly proceed to Washington as soon as his *agrément* is granted and his credentials received from Bogotá.

As Dr. Miguel López was also one of the negotiators of the treaty signed in December 1933, the Government obviously hopes to profit in the present situation from his familiarity with the past negotiations.

In his conversations with me, Foreign Minister Olaya has seemed to be inclined towards accepting the Department's offer to send an expert to Bogotá, but he has stated that he did not want definitely to express his approval of this method until further consideration has been given to the matter. The presence of an expert in Bogotá would appear to me to be very helpful in that his conversations with Dr. Hernandez might increase the likelihood that this important official would eventually support whatever treaty is finally negotiated.

Respectfully yours,

S. WALTER WASHINGTON

611.2131/297: Telegram

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

Bogotá, February 21, 1935—6 p.m.

[Received 9:06 p.m.]

32. My 28, February 13, 5 p.m. Foreign Minister Olaya informed me this afternoon that the Colombian Government will be ready to proceed with the negotiations for the commercial treaty in Washington immediately upon the presentation of credentials by Minister Miguel López. As the credentials and the Minister's instructions are being sent by air mail it is expected that he will be prepared to discuss the treaty within a week or 10 days. Dr. Olaya told me informally that strong objections will be raised to the following changes: elimination of the anti-dumping clause, the revision of old article 4, and article 10.

I emphasized the interest of the United States Government in expediting the negotiations and he promised that he would bend every effort to this end.

WASHINGTON

611.2131/301

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

No. 571

BOGOTÁ, March 6, 1935.

[Received March 9.]

SIR: I have the honor to report that I have been informed in the Colombian Ministry of Foreign Affairs that the credentials of Dr. Miguel López Pumarejo as Minister to the United States are being sent to him by air mail today and it is expected that he will be prepared to present them early next week.

I understand that the new Minister's instructions for the negotiation of the commercial treaty are not leaving by the same mail, in spite of the fact that Dr. Olaya assured me several weeks ago that both the credentials and the instructions would be sent to the United States before this. I am told that the delay in sending the instructions is caused by the fact that Dr. Olaya was so dissatisfied with the report of Dr. Arturo Hernández, Chief of the Customs Court of the Department of Finance, that he ordered that an independent study of the United States Government's proposals of December 1934 be made in the Consular Section of the Ministry of Foreign Affairs and that this work has not yet been completed. I believe this information to be correct, though there was a time when the delay in replying to the American proposals was possibly caused by the hope on the part of the Colombian Government that it could see a copy of the commercial treaty between the United States and Brazil. Failing at this Legation, inquiries were made at the Colombian Legation in Washington, but the Secretary of the Ministry of Foreign Affairs recently told me that he had definitely ascertained through his Chargé d'Affaires in Washington that the treaty has not yet been published.

Respectfully yours,

S. WALTER WASHINGTON

611.2131/309

The Minister in Colombia (Dawson) to the Secretary of State

No. 28

BOGOTÁ, May 22, 1935.

[Received May 25.]

SIR: I have the honor to refer to the Department's air mail instruction No. 7 of May 11, 1935,¹¹ enclosing for my information copies

¹¹ Not printed.

of various documents pertaining to the commercial treaty being negotiated between the United States and Colombia.

While it is to be presumed that the Colombian Minister in Washington has transmitted to his Government the Department's counterproposal, no mention of the matter has been made by Colombian officials to any member of the Legation staff, nor have any reports touching the present status of the negotiations appeared in the press.

In view of the part played previously by Dr. Arturo Hernández, Chief of the Customs Tribunal, it occurred to me that it might be of some interest to know if the counterproposal had reached him. Since the Commercial Attaché has frequent occasions to see Dr. Hernández on other matters, I asked Mr. Brooks to take advantage of the first opportunity to call in the hope that he might volunteer some information. In the course of a conversation with Mr. Brooks on May 20, Dr. Hernández broached the subject himself and stated that he knew nothing concerning the negotiations which were being left to the Colombian Minister in Washington. It would seem from his remarks to Mr. Brooks that Dr. Hernández had not yet been acquainted with the most recent proposals. While this may indicate that he is to play a less prominent part than was formerly the case, it may on the other hand mean merely that consideration of the proposals by the higher Colombian officials has made little progress. Among factors which might have made for delay, I may mention the congressional elections being held during May, the illness of the Minister for Foreign Affairs, and the circumstance that the Minister of Finance, who replaces him temporarily, is himself particularly busy with budget matters at this time of the year.

Respectfully yours,

WILLIAM DAWSON

611.2181/310

Memorandum by Mr. Donald R. Heath of the Division of Latin American Affairs

[WASHINGTON,] May 27, 1935.

I met the Colombian Minister, who brought up the question of the pending trade agreement negotiations. He stated that he hoped that he would shortly receive a reply and instructions with regard to the new draft trade agreement recently submitted to his Government. He said that he had been asked to endeavor to obtain a definite assurance against the application of American anti-dumping duties on Colombian coffee, but had replied that it was impossible for the Department to give definite assurances in this regard unless the proposed trade agreement were to be submitted to the Congress. He further said that an objection had been raised to the proposed provi-

sion whereby no Colombian municipality or department could levy new discriminatory taxes on imported goods of American origin, nor could they increase existing discriminatory taxes. He said that there was feeling that this provision constituted a new substantial concession to American interests for which no *quid pro quo* was offered Colombian interests. He said that he personally did not espouse this bargaining attitude and hoped that his Government would not take it, but would take the higher ground that discriminatory internal taxes against imported goods were bad in principle and that, while for political reasons it would be necessary to allow Colombian cities and departments now levying such taxes to maintain them, the further spread of such taxes should be stopped.

DONALD R. HEATH

611.2131/320½

Memorandum by the Assistant Secretary of State (Welles) to the Assistant Secretary of State (Sayre)

[WASHINGTON,] July 18, 1935.

The Colombian Minister came in to see me yesterday afternoon. He had just returned from his trip to Bogotá and was very much satisfied with the result of his visit. He told me that he had explained fully all the points at issue between the Colombian Government and ourselves with regard to the pending trade agreement, and that he felt he had been successful in persuading his Government as to the correctness of our attitude on some of the moot points. In summary, the chief points he gave me are as follows:

The Colombian Government agrees to our position on the anti-dumping question.

With regard to the question of provincial and municipal taxes, his Government is entirely in accord with the theory which we sustain; that, for political reasons, they believe the matter should be dealt with by an amendment to their Constitution. The Colombian Government believes further that in the trade agreement we should accept the substitute suggestion presented by the Minister in April.¹²

With regard to the provision relative to the reservation made to take care of our "revenue and police laws", the Colombian Government believes that our phraseology is too general and that there is too much latitude in the provision now drafted in our version.¹³ Any rephrasing of this provision serving to make it clear that the primary purpose is to prevent smuggling would be satisfactory to the Colombian Government.

¹² Not found in Department files.

¹³ Draft not found in Department files.

The Colombian Government desires to omit paragraph 2 of our Article IV in its entirety. The formula covering this ground as contained in our trade agreement with Brazil would be satisfactory.

With regard to the reservation covering our right to impose embargoes on the exportation of war material, the Colombian Government urges the acceptance of the counter-project presented by the Colombian Minister on April 20.

The Minister told me that he had discussed the trade agreement fully with his brother, the President, and with Dr. Olaya, the Minister for Foreign Affairs, and that they both were exceedingly anxious to sign the trade agreement immediately so that it could be presented to the Colombian Congress in the early weeks of the session which is now beginning. They fear that if the signing of the trade agreement is delayed for any material time, the Colombian Congress will get into all sorts of controversies with regard to internal legislation, which might impede the ratification of the trade agreement or, in any event, delay it for a considerable period. The Minister seems to feel that there should be no material difficulty in reaching an agreement on the trade agreement in short order. I consequently suggested that he be in Washington next Monday, July 22, and I told him that, if that were possible for him, I was sure the Treaty Division would be prepared to continue discussions with him. May I suggest, therefore, that unless there is some impediment, of which I am not aware, the Treaty Division consider the information given to me by the Minister and have available, when discussions start with the Minister, such counter-projects or redrafts as may be considered possible.

The program of the Colombian Government for the approaching session of the Colombian Congress is to take up for ratification first the Leticia protocol, which the Minister believes will be ratified almost immediately. It then desires to take up without delay the trade agreement, if it can be concluded in time. This means, of course, that an agreement would have to be reached here within the course of the next ten days.

In this connection, Mr. McGurk ¹⁴ gave me today the attached memorandum ¹⁵ and file. I am very much afraid that if we insist upon the suggested provisions regarding exchange control, we are going to delay for an indefinite period the conclusion of our trade agreement negotiations. I also sincerely share the views expressed by Dr. Feis ¹⁶ in his attached memorandum.¹⁷ We commenced trade agreements negotiations with Colombia, I believe, in the autumn of 1933. During

¹⁴ Joseph F. McGurk, Assistant Chief of the Division of Latin American Affairs.

¹⁵ Not printed.

¹⁶ Herbert Feis, Economic Adviser.

¹⁷ Not attached to file copy of this document.

the past winter we have been making various requests for new provisions in the trade agreement and these new requests, as you know, have been misunderstood in Colombia, since the Colombian Congress is sure that there must be some "nigger in the woodpile" every time we ask for a new provision. I cannot understand why we did not put in everything we wanted in the first trade agreement negotiated. Furthermore, so much controversy has been provoked in Bogotá and so much misunderstanding has resulted on account of our new requests that I don't think any trade agreement negotiations could have been concluded if the Colombian Minister had not himself gone to Bogotá to explain the situation. If now, after his return, we again make a new proposal, I am fairly confident that very serious difficulties will ensue.

I have, of course, no objection, should you desire to do so, to having this new exchange proposal discussed through the Colombian Minister, but I should hate to see the matter made a *sine qua non* should the Minister state that he did not think his Government would agree to such an undertaking.

S[UMNER] W[ELLES]

[For text of the reciprocal trade agreement between the United States and Colombia signed September 13, 1935, see Executive Agreement Series No. 89, or 49 Stat. 3875.]

**INFORMAL REPRESENTATIONS TO THE COLOMBIAN GOVERNMENT
REGARDING EFFECTS OF COLOMBIAN-GERMAN EXCHANGE AR-
RANGEMENTS ON AMERICAN TRADE**

621.6217/5a : Telegram

The Secretary of State to the Minister in Colombia (Dawson)

WASHINGTON, June 1, 1935—2 p.m.

38. Department receiving complaints American exporters as to competition encountered in Colombia from German exports facilitated by the use of compensation or registered marks which do not have international acceptance and which sell at a discount as compared with the official exchange value of the Reichsmark.

Would you please report immediately by wire and more fully by air mail upon the recent development of trade relations between Colombia and Germany, paying particular attention to any facilitation that may be given to this trade by the Colombian authorities, and any special arrangements that may exist for the sale of Colombian goods for blocked marks.

HULL

621.6217/6 : Telegram

The Minister in Colombia (Dawson) to the Secretary of State

BOGOTÁ, June 3, 1935—5 p.m.

[Received 8:27 p.m.]

54. Department's telegram number 38, June 1, 2 p. m. Since December last Colombian-German trade has been conducted on the compensated basis set forth in special report No. 50, of December 21st from the Commercial Attaché.^{17a} During the first quarter of the present calendar year, coffee exports to Germany increased by 50 percent in volume and imports from Germany increased by 90 percent in value against corresponding period of last year. Increase of imports from Germany is attributed largely to the circumstance that compensation marks resulting from coffee and other exports and available only for payment of German goods are currently offered here at a discount of 20 percent or more under the official exchange value of the reichsmark. This situation which is having a distinctly adverse effect on American trade would seem to be due to the compensated trade system established last fall. There is no evidence that the Colombian authorities are granting any facilities other than those provided for surviving [*sic*] regulations set forth in the Commercial Attaché's report referred to above and I am informed that at present the Colombian exchange control is taking steps to make sure that coffee shipped to German ports is actually for German consumption. Full report by air mail. Repeat to Commerce.

DAWSON

821.5151/285 : Telegram

The Minister in Colombia (Dawson) to the Secretary of State

BOGOTÁ, June 19, 1935—3 p.m.

[Received 4:50 p.m.]

60. The use of compensation marks by German competitor threatens to deprive American bidders of a contract involving nearly 2 million pesos with the Colombian Government for pipeline for Bogotá waterworks. Full report by air mail today.¹⁸

DAWSON

^{17a} Not found in Department files.

¹⁸ Despatch No. 83, June 19, 1935, not printed. In despatch No. 194, August 16, 1935, the Minister in Colombia reported that the Ministry of Public Works had accepted the bid of American firms (621.6217/23).

821.5151/289 : Telegram

The Secretary of State to the Minister in Colombia (Dawson)

WASHINGTON, July 6, 1935—4 p.m.

46. Your No. 83 of June 19.¹⁹ You may, in your discretion, observe to the appropriate officials of the Colombian Government that although this Government does not ask special consideration for American bidders if their prices are not competitive, it does ask that American exporters shall have the opportunity to compete on equal terms for business with other foreign nationals. In this case, it would seem that the lower prices quoted by the German firm are artificially made possible through the operation of special exchange agreements and restrictive exchange control systems which are not practiced by this country, either to favor its exporters, or against the trade of other countries. It is the Department's belief that the system of exchange control and the restrictive exchange agreements which have grown out of them are responsible in a large degree for the continuance of the depression in world trade.

In addition, if it were the condition that the bids in this instance be made in Colombian pesos, as the Department understands from your despatch, then acceptance of the German bid, which would preferentially guarantee the bidder against exchange risks, would be discriminatory.

Incidents, such as the bid in question have created resentment among American exporters who feel that they are losing business and suffering discrimination as a result of the operation of special exchange agreements and restrictive exchange control systems from which their own Government abstains. The Department would like to have you present this point of view of the potentially injurious effects of these practices and their bearing on the American policy of liberal trade to the Colombian authorities when appropriate occasions are afforded.

HULL

821.5151/294

The Minister in Colombia (Dawson) to the Secretary of State

No. 164

BOGOTÁ, July 31, 1935.

[Received August 3.]

SIR: I have the honor to refer to the Department's telegram No. 46 of July 6, 4 p. m., 1935, concerning the disadvantages under which American exporters labor as a result of restrictive exchange agreements, with particular reference to that between Colombia and

¹⁹ Not printed.

Germany, and stating that it would like to have me bring on appropriate occasions to the attention of the Colombian authorities the potentially injurious effects of these practices and their bearing on the American policy of liberal trade.

I desired to take advantage of the first opportunity to discuss the matter with Dr. Olaya Herrera, but, since his return to the Foreign Office on July 11, he has been exceedingly busy and has not held the usual weekly diplomatic receptions. However, in a conversation at a social gathering last week, he informed me that he would arrange to see me within a few days and on July 29 the Chief of Protocol telephoned that the Minister would be pleased to receive me yesterday afternoon.

I prefaced my remarks to Dr. Olaya Herrera by stating that I had for some time desired to discuss with him in an entirely informal and friendly manner a situation which was causing concern. I then proceeded to outline briefly the practical effects on American trade of the competitive advantages accruing to German exporters under present conditions. In this connection, I told him of the recent receipt from an American firm in Medellín (my despatch No. 148 of July 25²⁰) of a letter relating substantial setbacks suffered in different lines. I reminded the Minister of our Government's policy of liberal trade and its attitude towards exchange agreements and other practices which tend to restrict commerce. I told him that, as was only natural, American exporters who are losing business view with resentment these practices from which their Government abstains and which constitute a potential danger.

The Minister followed my remarks with his usual sympathetic attention. He stated that trade relations with Germany had caused the Government no little trouble and that the Germans themselves did not seem satisfied. He said that he was not informed in great detail as to present conditions but that he would be glad to discuss the situation with the appropriate officials with particular reference to the disadvantages resulting for American exporters. He intimated that he would inform me in due course of the result of his conversations.

Before taking leave, I repeated to Dr. Olaya Herrera that I was making no official representations but had merely sought to discuss informally with him a situation which was causing resentment in American commercial circles. I added in this connection that American business men do not ask preferential treatment but only a fair chance to compete on a basis of equality.

Respectfully yours,

WILLIAM DAWSON

²⁰ Not printed.

621.6281/6

The Minister in Colombia (Dawson) to the Secretary of State

No. 234

Bogotá, September 10, 1935.

[Received September 14.]

SIR: I have the honor to refer to my despatch No. 227 of September 5²¹ concerning the present status of Colombian-German trade relations and to my despatch No. 228 of September 7²¹ reporting that I had taken occasion to remind Dr. Olaya Herrera of a previous conversation with him touching the "coffee mark" situation and that at his suggestion the Foreign Office would shortly arrange for me to discuss the matter with the Exchange Control Board.

By appointment made through the Foreign Office, I had this morning an interview with Sr. Alberto Bayón, Chief of the Control Office, who is the Official directly in charge of matters pertaining to the operation of the exchange control system.

In the course of our conversation, I informed Sr. Bayón of the difficulties resulting for our export trade from the artificial advantages enjoyed by German competitors, of the natural resentment felt by American merchants, of our Government's policy of liberal trade and its attitude towards special exchange agreements and restrictive exchange control systems, and of the potentially injurious effects of such practices. As in my conversations with Dr. Olaya Herrera, I was guided by the Department's telegram No. 46 of July 6, 4 p.m., in discussing the situation and setting forth the viewpoint of our Government. I informed Sr. Bayón that I was not making diplomatic representations but merely desired to present in an informal and friendly manner the American point of view to the appropriate Colombian authorities.

Sr. Bayón stated that he was very glad to be informed of our position and that he would always be ready to discuss these matters with the Legation. He said that, while the existing special arrangement with Germany had benefited Colombia in so far as it had led to a considerable increase in coffee exports to that country, Colombia had no interest in the maintenance of low rates for the "coffee mark." He pointed out that, on the contrary, coffee exporters would be benefited by an increase in the exchange value of the "coffee mark," and that, as far as the import trade was concerned, the Colombian authorities had no wish to stimulate imports through an artificially low medium of exchange, the less so since German products are handled very largely by German firms with little benefit to Colombian economy.

²¹ Not printed.

Sr. Bayón attributed the low exchange value of the "coffee mark" to the circumstance that up until recently operations in "coffee marks" were controlled by Germany. He stated that, prior to the Exchange Board's ruling of June 25, 1935, centralizing operations in the Bank of the Republic in Colombia and in the Bank's correspondent, the Dresdner Bank, in Germany, neither the Exchange Control Board nor the Bank of the Republic was in a position to exercise any effective control. He confirmed reports, already noted in previous despatches to the Department, that as a result of German opposition to this ruling trade relations between Colombia and Germany are virtually suspended. The German exchange authorities have, he said, refused to make available more than nominal credits to the Bank of the Republic, and, since the Exchange Control Board refuses to permit operations save through that Bank, practically no new shipments of coffee to Germany are being authorized. Speaking off-hand and without consulting his figures, Sr. Bayón stated that, if he recalled correctly, Germany had limited coffee credits to be opened in the Bank of the Republic to the ridiculously low figure of 150,000 marks per month, offering at the same time to increase this limit to 500,000 marks provided that Colombia would accept an arrangement under which credits totalling 3,000,000 marks would be allotted to other banks.

Sr. Bayón intimated that the Exchange Control Board is determined to exert an effective control over operations and he expressed the opinion that as a result of this control the "coffee mark" will be maintained at a rate which will put an end to the artificial advantages now enjoyed by German exporters and which, he repeated, are not to the interest of Colombia. In this connection, Sr. Bayón was careful to state that the rate would not necessarily be the same as that of the reichsmark and that it might be somewhat lower. He said that this was a matter which he would always be ready to discuss with me and concerning which he would, when the time came, be willing to consider any suggestions which I might wish to make.

ACTIVITIES OF GERMAN COMMERCIAL ATTACHÉ

Sr. Bayón did not in the course of our conversation refer specifically to the German Commercial Attaché, Mr. Schmitt, and his associate, Mr. Borne, whose arrival and activities have been reported in previous despatches.

From reports that reach me from various sources, I infer that the German representatives have thus far met with little or no success. A reliable informant, who has met Mr. Schmitt and has contacts in German commercial circles, tells me that the Commercial Attaché is aggressive and tactless and has made a very poor impression.

In conclusion, I may note that Mr. Stanley Foster, in charge of the maritime agencies of the Grace organization in Colombia, who has been spending a few days in Bogotá, told me this afternoon that for various reasons sentiment in business circles has veered perceptibly against Germany, that the "coffee mark" situation is meeting with growing disfavor, and that the outlook for American trade is distinctly better in so far as German competition is concerned.²²

Respectfully yours,

WILLIAM DAWSON

²² In despatch No. 363, November 7, 1935, the Minister in Colombia reported that an agreement adjusting trade relations was signed on November 5 by the German Chargé and the Colombian Exchange Control Office (621.6231/9).

COSTA RICA
NEGOTIATIONS RESPECTING A TRADE AGREEMENT BETWEEN THE
UNITED STATES AND COSTA RICA¹

611.1831/52b : Telegram

The Secretary of State to the Minister in Costa Rica (Sack)

WASHINGTON, July 3, 1935—6 p.m.

22. General provisions of proposed trade agreement in revised form will be sent you shortly for presentation to the Costa Rican Government. Pending their receipt it is suggested that you make immediately available to the Costa Rican Government the English and Spanish texts of the general provisions as previously supplied you by the Department, reserving the right to make further changes.

The Department hopes to transmit copies of mimeographed Country Committee report on Schedule I by pouch leaving here tomorrow. Instead of presenting a long list of concessions, the study of which may require several months by the Costa Rican Government, the Department wishes you to make arrangements whereby direct negotiations can be initiated as soon as our material reaches you and an agreement on an *ad referendum* basis i. e. subject to approval of Department on the best terms obtainable can be worked out as expeditiously as possible.

HULL

611.1831/55

The Chargé in Costa Rica (Drew) to the Secretary of State

No. 778

SAN JOSÉ, July 17, 1935.

[Received July 29.]

SIR: I have the honor to report that in accordance with the Department's Instruction No. 180 of July 9, 1935,² I called on the Minister for Foreign Affairs on July 15th, accompanied by Vice Consul Satterthwaite, to inform him that I had received from the Department of State information on the concessions which would be requested of the Costa Rican Government in the proposed reciprocal trade agreement.

¹ For previous correspondence, see *Foreign Relations*, 1934, vol. v, pp. 86 ff.

² Missing from Department files.

Mr. Gurdíán requested me to submit a list of the commodities on which reductions would be requested before proceeding to discuss them orally. I agreed to do this, at the same time emphasizing my opinion that it was highly desirable to avoid a protracted exchange of formal correspondence, with which Mr. Gurdíán agreed. He stated that inasmuch as all details of the trade agreement would have to be submitted to the Minister of Finance and Commerce, he planned to meet with the Minister of Finance, Mr. Satterthwaite and myself to consider the proposed concessions.

Mr. Gurdíán informed me that he had studied the proposed draft of the agreement, and that while he found it acceptable in general, there were certain clauses which he wished to change. I informed him that the text submitted was merely a draft and did not even represent the final word of the Department of State. He stated that he had already submitted the proposed text to President Jiménez.

A statement which Mr. Gurdíán attributed to the President furnishes an interesting commentary on the Costa Rican Government's attitude toward the proposed agreement.

"Ask Mr. Drew why the American Government wants to change things. We are perfectly satisfied with the present situation, and if they so desire I would be willing to sign an agreement to continue the *status quo* for a hundred years".

Mr. Gurdíán again referred (see my Despatch No. 769 of July 9, 1935)^a to his desire to give full publicity to the proposed terms of the trade agreement in order to give to any Costa Ricans who might be interested in securing concessions from the United States on certain commodities, an opportunity to present their views. It was agreed with Mr. Gurdíán that all publicity in connection with negotiation of the trade agreement would be given out from his office, in order to avoid any possibility of conflict.

In the course of recent conferences with Mr. Gurdíán on the trade agreement, he has referred to his desire to obtain certain minor concessions from the American Government, particularly in connection with the sale of fruits and vegetables to the Panamá Canal Zone commissaries. I informed Mr. Gurdíán that this subject would, of course, be given consideration by the Department of State. I believe that while such a concession might not be of great value in stimulating trade in these commodities with the Canal Zone, it would be of great assistance in securing concessions from the Costa Rican Government with regard to Schedule I and would materially assist in the successful conclusion of the agreement with Costa Rica. While Mr. Gurdíán has not given any indication of the nature of the concessions desired

^a Not printed.

to stimulate trade with the Canal Zone, it is my opinion that such a request when made should be given most careful consideration.

In accordance with Mr. Gurdián's request, I today submitted to him informally a list of the commodities in Schedules I and II,⁴ setting forth only the prevailing and the proposed duties, without attempting to include statistics or any discussion of the merits of the proposed concessions. I received the impression that his first reaction to the list of concessions was more favorable than I had anticipated, as he expressed approval of the proposed reduction in duties on certain minor commodities. He did, however, state that he thought it would be very difficult to grant any concession in the duties on wheat flour in view of the importance of the income from that source to the Costa Rican Government. The Foreign Minister informed me that he would transmit copies of the list to the President and the Minister of Finance and Commerce for their information, and as soon as he received certain statistical data he would be ready to initiate discussion of the agreement.

Respectfully yours,

GERALD A. DREW

611.1831/61

The Minister in Costa Rica (Sack) to the Secretary of State

No. 807

SAN JOSÉ, August 15, 1935.

[Received August 22.]

SIR: I have the honor to enclose herewith a memorandum of a conversation held on the afternoon of August 14, at the Foreign Office, between Foreign Minister Gurdián and Minister of Finance and Commerce Brenes and Secretary of Legation Drew and myself on the subject of the proposed trade agreement between the United States and Costa Rica.

The conference was somewhat disappointing to me in that before I went to the Foreign Office I had every reason to believe from assurances previously given to me by Mr. Gurdián that the conference would mark the beginning of the actual clause by clause negotiations of the trade agreement.

Instead of being prepared to initiate specific negotiations, Mr. Gurdián confined himself to repeating statements he has made previously, while Mr. Brenes claimed that he had not yet had time to prepare his counter-proposals to the concessions sought in Schedule I, which Mr. Drew presented to Mr. Gurdián during my absence.

⁴ Schedule I, rates on imports into Costa Rica from the United States; Schedule II, rates on imports into the United States from Costa Rica.

The conference, however, gave to me additional assurance that the Costa Rican Government wants to negotiate a trade agreement with the United States and will do so, but not wholly along the lines proposed by the State Department. For example, the attitude of this Government is that any reduction in the duties on flour, in the present state of Costa Rican finances and shrinkage of import revenues, is unthinkable. Likewise Mr. Gurdíán and Mr. Brenes—and as I happen to know, other officials—feel that a reduction in the duty on flour will not stimulate the sale of flour to this country. The impression here is that regardless of the high cost of flour, the nation is consuming as much as it would even if the duty were reduced in half. Arguments that Costa Rica would experience an increase in imports and a corresponding net increase in tariff revenues as a consequence of a reduction in the duties on flour seem to make no impression on the Costa Rican officials. They, in turn, ask where the foreign exchange is coming from to pay for additional flour.

In this connection Mr. Gurdíán and Mr. Brenes point out, and it is an unanswerable fact, that all of the statistics show that more than 95% of Costa Rican flour imports come from the United States.

To a lesser extent Mr. Gurdíán and Mr. Brenes make this argument on lard and point out also that Costa Rica is now and has been engaged for the past few years in a serious effort to stimulate the home production of lard and pork products.

Despite these objections by the Costa Rican negotiators, I nevertheless feel that a treaty will be negotiated between Costa Rica and the United States but I am not hopeful that the chief concessions sought by the Department will be obtained. I am reasonably sure, however, that the principal prevailing tariffs in which we are interested will be bound in cases where no reduction is granted.

In connection with the agreement, I am sure the department has in mind the negotiation of an agreement which subsequently will be ratified by the Costa Rican Congress; otherwise all of our labors will be lost. This, also, is a point that the Costa Rican Foreign Minister and likewise President Jiménez is keeping in mind. As the Department is aware, the Congress of Costa Rica takes itself as seriously as does the Senate of the United States in matters pertaining to foreign affairs, and already members of the Congress are beginning to concern themselves in the newspapers with what the Foreign Office intends to do in reference to the proposed commercial agreement with the United States.

The Department has for some time been kept informed through reports from this mission as well as from the American Consulate in San José of the really serious situation which now confronts this Government. Prospects for the future of the Costa Rican coffee trade on

which the country is largely dependent, are indeed dark. The London coffee market, which has always consumed the bulk of the Costa Rican crop at fancy prices, shows signs of disintegrating because of the tendency for the premium on the fancy grades produced here to diminish, and the trend of Germany and other European countries to purchase their requirements directly from Costa Rica at reduced prices, or from other countries producing similar grades of "mild" coffee. In addition, the fall in the foreign exchange value of the colón in the past year has amounted to approximately 50%. Despite these unfavorable factors, as the Costa Rican negotiators pointed out, the United States is now furnishing Costa Rica with approximately 50% or more of its import requirements. Their argument, and it is a difficult one to answer, is "What more does the United States want".

Another consideration which the Department should bear in mind in the course of these negotiations is that the many barriers to world trade which have been created in several countries of Europe and Latin America and which have prevented restoration of normal international commerce, do not exist in Costa Rica. Her tariffs are, according to information available here, unusually low as compared with many countries of Latin America. No quotas exist. No artificial sanitary requirements impede the free entrance of American goods.

Costa Rica's exchange control law has recently been liberalized to the extent that American exporters are apparently encountering little if any difficulty in making collections. Costa Rica's attitude in view of these factors is that the *status quo* is the most desirable situation. Despite my firm belief in the beneficial effect of Secretary Hull's program on the United States and world commerce in general, I must admit that the Costa Rican viewpoint is understandable.

Nevertheless, I feel that the Costa Rican Government will sign a trade agreement if we do not insist on too drastic reductions in her present customs tariff. I believe that the strongest single factor which will induce Costa Rica to sign an agreement, and it is one which I feel I can properly emphasize in the course of the negotiations, is a fear of being isolated from a program which will include her neighboring countries in Central America in particular, and other countries in general.

In this connection I regard as significant a remark made to me by Minister Gurdíán at the termination of our conference, and likewise as a hopeful sign. In the course of our conversations I told the Ministers that, as they knew, the United States was at the moment negotiating similar agreements with the sister Republics of Central America, and some of the South American countries, and my information is to the effect that excellent progress is being made in the Central American countries. To this Mr. Gurdíán replied that the treaty

between the United States and Costa Rica, he was sure, would be terminated well in advance of the treaties with Guatemala and Colombia and perhaps some of the other countries.

For the further information of the Department, and because of its direct bearing on the trade negotiations, may I repeat information which came to me last night from Don Ricardo Castro Beeche, the President of the Congress and President Jiménez' right hand man on all legislative matters.

I was talking to Mr. Castro on Tuesday and in the course of our conversation he said to me, in an aside, that he would like to see me soon to tell me the Congressional attitude towards the ratification of the proposed trade agreement. I thereupon suggested that he and Mrs. Castro have dinner with Mrs. Sack and myself on Thursday evening (last night).

After dinner Mr. Castro told me that the Congress appreciates the need of stimulating and encouraging commerce between the United States and Costa Rica and that the Congress was very much concerned with the great increases in Japanese exports to Costa Rica which were not being compensated for by any Costa Rican exports to Japan.

Mr. Castro said that the Congress wanted to negotiate a treaty with the United States, which would show appreciation of the fact that the United States does not charge Costa Rica duties on its chief exports, but at the same time the Congress felt that it could not afford to reduce import duties on products from the United States to an extent that such reductions would impair the already crippled finances of the country. Mr. Castro said that the Congress would be willing to reduce certain duties and to agree not to raise any duties in the future.

At the same time he declared that serious consideration is now being given to a plan to enact a law similar to the law recently enacted in El Salvador whereby a tariff ranging up to 200% of the present duties would be authorized on products from such nations which do not purchase from Costa Rica, and likewise have tariff barriers against Costa Rica. He mentioned Japan as the chief offender among non-purchasing nations and expressed the opinion that the constantly increasing importations from Japan are responsible for the collapse of the colón in relation to the dollar.

He made the point that Japanese products come into Costa Rica so cheaply that importers can afford to go into the "bootleg" market and buy dollars at the present excessive rate of exchange and still make a substantial profit. He expressed disappointment that the recently enacted exchange control law, which was calculated by Government officials to restrict Japanese importations, is not having the desired effect.

Obviously, I told Mr. Castro that I could not interest myself, and would not interest myself either directly or indirectly in any law

such as he had in mind, which was aimed at a friendly nation and that under no circumstances could the proposed Japanese law be linked up with ratification of the proposed agreement between the Governments of the United States and Costa Rica.

Mr. Castro assured me that there would be no attempt in or out of the Congress to hook up the two matters but that the Government of Costa Rica is so concerned at the moment with Japanese importations and the disastrous effect these importations are having on the foreign exchange situation that it plans to take protective measures. Mr. Castro also pointed out that he and other Government officials, appreciating the value to Costa Rica of happy commercial relations with the United States, are hopeful of finding ways and means whereby Costa Rican exports to the United States can be legitimately increased, which increase would, in turn, provide additional dollars for Costa Rican imports from the United States.

I was happy to obtain Mr. Castro's impressions and to receive his assurances that when the negotiations between the Foreign Office and this Legation are completed and approved in Washington, that he, in turn, would use his best efforts to obtain ratification in the Congress. I was likewise happy to be assured that the Congress would ratify a treaty which it considered fair to Costa Rica.

In the course of my future conversations with the Foreign Office negotiators, I shall, of course, endeavor to obtain their agreement to as many concessions recommended in Schedule I as possible, and where concessions can not be obtained, to obtain a guarantee that duties will not be increased. I nevertheless feel it my duty to inform the Department of the true state of feeling in Costa Rica at the moment in order that the Department can be accurately informed of the situation here and particularly as to points which the Costa Rican Government regard as of real significance to its economic security.

Respectfully yours,

LEO R. SACK

[Enclosure]

Memorandum by the Secretary of Legation in Costa Rica (Drew)

SAN JOSÉ, August 15, 1935.

Following a request made by Mr. Sack upon his return to Costa Rica from his leave in the United States on the day on which he and Foreign Minister Gurdíán discussed informally and generally the proposed trade agreement between the United States and Costa Rica, Mr. Sack and Mr. Drew went to the Foreign Office at five o'clock yesterday afternoon to discuss with Foreign Minister Gurdíán and Minister of Finance and Commerce Brenes, specific provisions of the proposed agreement. It was the understanding of Mr. Sack and Mr. Drew prior to their departure for the Foreign Office that Minister Brenes

would be prepared to discuss with the American negotiators specific tariff reductions. To their disappointment, however, Minister Brenes pleaded that he had not had sufficient time either to prepare the Costa Rican counter-proposal to the list of concessions contained in Schedule I, which was presented informally to Mr. Gurdíán by Mr. Drew during Mr. Sack's absence. At the same time Mr. Brenes said he wanted additional time to prepare the list of Costa Rican concessions sought from the United States.

Yesterday's discussions, the first formal conference to be held since the Costa Rican Government was informed of the concessions requested in Schedule I, brought out very little new information of importance, Mr. Gurdíán confining his statements chiefly to a repetition of arguments he has previously presented in conferences with Mr. Sack and more recently with Mr. Drew. Mr. Brenes contributed little or nothing to the conversations, confining himself to indications of approval of statements made by Mr. Gurdíán.

Mr. Gurdíán opened the conversations by pointing out the unsatisfactory state of Government finances, and the economic situation of the country as a whole. He referred to the recent decrease in Government receipts from all sources, in particular from customs revenues, caused in part at least by the fall in the exchange value of the colón, and the unsatisfactory state of the London coffee market. He stated that it would be impossible for Costa Rica to make any reductions in its present rates of duty which would further decrease customs revenues. He referred particularly to the revenues received from flour and lard. Mr. Sack pointed out that any reduction in the duties on these and other commodities would undoubtedly stimulate imports to a point where Government revenues would not be seriously affected, if at all, but to the contrary, in his opinion, would be substantially increased as has been the experience in Cuba and in other nations where reciprocal agreements have been concluded. Mr. Gurdíán replied that while that might be very true, he could not see where the country would find the foreign exchange to pay for the increased imports.

Mr. Sack emphasized to the Costa Rican negotiators his conviction that conclusion of the trade agreement would result in a general stimulation of Costa Rican trade with the United States which would prove of great benefit to the country. He stated that during his recent visit to the Department of State he had found all the officials of that Department convinced that the trade agreement would prove greatly beneficial to both countries. Mr. Sack told the Costa Rican negotiators that progress was now being made in other countries of Central America in the negotiation of trade agreements, and that he hoped that Costa Rica would not fail to enter into the general pro-

gram. Mr. Gurdián at this point made a significant remark to the effect that he was sure that the agreement with Costa Rica would be concluded before the Guatemalan or Colombian agreements were negotiated.

Mr. Gurdián stated that Mr. Brenes is now awaiting statistics from the Government statistical office and that as soon as they are received further conversations will be arranged. When asked whether the Costa Rican Government was preparing a counter-proposal, he indicated that such was its intention.

Mr. Gurdián again in this conversation expressed his desire to give complete publicity at the appropriate time to the terms of the proposed agreement, as had been done in the United States. Mr. Drew stated at this point that he had discussed this policy with Mr. Sack who was in complete agreement therewith, adding that it was, of course, desirable for complete and accurate information to be given out, referring to recent newspaper articles attacking the treaty, based on inaccurate and incomplete information. Mr. Gurdián expressed his agreement with this point of view.

Mr. Gurdián stated that he would shortly request the Legation for information on customs duties now in force in the United States on a number of Costa Rican products. He made it plain that it was his intention to give an opportunity to interested parties in Costa Rica to present requests for concessions on various Costa Rican products not included in Schedule II as prepared in the Department of State. Mr. Gurdián was assured that the Department would give sympathetic consideration to any additional requests which might be presented. It was pointed out to him that the Costa Rican Government itself was, of course, in a better position than the Department of State to know what articles might be successfully marketed in the United States following customs concessions on the part of the American Government.

The conference terminated with the understanding that Mr. Brenes would complete the studies which his Department is now making of Schedule I, and that further conversations would be held within the next two weeks.

611.1831/66

The Minister in Costa Rica (Sack) to the Secretary of State

No. 840

SAN JOSÉ, September 6, 1935.
[Received September 12.]

SIR:

Accompanied by Mr. Drew, I visited President Jiménez last Monday afternoon. Before going to the Casa Presidencial, we went by

the Foreign Office to explain to Mr. Gurdíán the purpose of our visit, and Mr. Gurdíán gave us his blessings, saying that he is in favor—and has been—of terminating the negotiations at the earliest possible moment, and that the delay has not been his fault.

I told the President that we in the Legation had been attempting, without success, to have Messrs. Gurdíán and Brenes sit down around the table with us to discuss actual terms of the proposed agreement, but that Mr. Brenes was delaying matters. I also expressed to the President my distress at the impression which apparently prevailed in certain quarters in Costa Rica that the United States desired to negotiate an agreement which would be unfair to Costa Rica. I reminded the President of his own words spoken to me when I presented my credentials in October of 1933 and in newspaper interviews since, to the effect that the United States "has always been a good friend of Costa Rica" and has always treated this country as an equal. I told him that the United States intended to continue this policy, and that in the proposed treaty negotiations the United States viewed with sympathy all of Costa Rica's economic problems and had no intention of seeking tariff concessions which would disorganize Costa Rican economics. At the same time I expressed to the President my distress at publications in the Administration organ *La Tribuna* and rumors around San José to the effect that the administration intended to delay action on the trade agreement until after the election campaign.

First, Mr. Jiménez denied that his Government was responsible for publications that the agreement would be indefinitely delayed. . . .

The President next told me that he had never entertained thoughts other than that the United States, in the treaty negotiations, would, as in the past, treat Costa Rica with the utmost consideration, and that our Government would prove in these negotiations its devotion to President Roosevelt's "good neighbor" policy.

The President next referred to the difficulty of his Government making any concessions in the duty on flour, pointing out that the revenues from the imports of flour are essential to the operation of the Government. He said that if our request on this item is dropped, the agreement could be negotiated, and he indicated that most of the other reductions sought by the United States would be granted.

I thereupon told the President that if the State Department should be willing to withdraw its request for a reduction of the duty on flour, the Department would request that the present tariff be bound. This President Jiménez consented to immediately.

In previous despatches, and particularly in No. 807 of August 15, 1935, this Legation has referred to the situation here with reference to

flour and I have quoted officials here as expressing the opinion that reduction in the duty on flour will not stimulate the sale of flour to this country. At this point, may I request a re-reading by the Department of my Despatch No. 807 of August 15, 1935, and particularly pages 2, 3 and 4, which discuss the flour situation, and may I recommend that I be authorized by telegraph to withdraw the request for a reduction in the tariff on flour.

Unless we make this concession, I feel that Costa Rica will not be inclined to grant us other concessions, and I am confident that the Congress will not ratify any trade agreement that provides for a reduction in the duties on flour. On the other hand, I feel that if the United States Government, which already is selling more than 95 per cent of the flour consumed in Costa Rica and in so far as the Legation and the Consulate are able to determine will continue to do so, grants this concession, the Costa Rican Government will in turn be able to point to the benefits obtained from us and will be able to energetically advocate ratification of the agreement.

I feel that public opinion here will strongly oppose a reduction in the duty on flour, but will approve an agreement which seems to deal fairly with Costa Rica.

In this connection, may I call attention to an editorial appearing in the new intelligentsia magazine *Liberación*, translation of which is attached herewith,⁵ wherein the author questions the motives of the United States in negotiating the proposed agreement. This editorial is indicative of the prevailing opinion that the agreement must contain mutual advantages for both parties, and although I am aware that this is the motivating policy of the United States, it will be difficult to convince the Costa Rican public that a reduction in the duty on flour will be of any advantage to Costa Rica.

Aside from the political aspect of the situation, it is a fact that the ad valorem duty on flour in Costa Rica is lower, as the Department is aware, than in many other countries, and with the collapse in the dollar value of the colón, this duty has been automatically reduced approximately 50 percent during the last two years.

At the termination of the conference with President Jiménez, he assured me that he would instruct Finance Minister Brenes to present his list of answers immediately and to resume his conversations with the Legation without delay. Leaving the Casa Presidencial, Mr. Drew and I met Mr. Brenes coming in, and I am confident that President Jiménez told his Finance Minister of the object of our visit. The next morning, *La Tribuna*, in a front page story, said that negotiations would be resumed "later this week".

⁵ Not printed.

This is Friday, and Mr. Brenes has made no attempt to get in touch with the Legation, but I was assured on yesterday afternoon by Mr. Gudián that the negotiations would be resumed next week. I hope so.

Respectfully yours,

LEO R. SACK

611.1831/66 Telegram

The Secretary of State to the Minister in Costa Rica (Sack)

WASHINGTON, September 18, 1935—1 p.m.

35. With reference to your despatch No. 840, of September 6. You are authorized to accept binding of the present rate on flour in view of your opinion that insistence on a duty reduction will jeopardize conclusion of the trade agreement. It is hoped that this substantial modification of our position will clear the way for rapid and satisfactory conclusion of the agreement.

HULL

611.0031/1899

Memorandum by the Secretary of State

[WASHINGTON,] October 7, 1935.

The Minister of Foreign Affairs of Costa Rica, who is on an unofficial visit to this country, called to pay his respects. Nothing official was discussed except that I volunteered to comment briefly to him about the moral effect of trade agreements between this Government and other governments in this hemisphere or elsewhere upon the industrial nations of Europe, which, it was hoped, would soon be disposed to proceed simultaneously with our Government in carrying forward our reciprocity trade agreements program, including exchange stabilization and the ultimate settlement of debts on a satisfactory basis.

I carefully explained to the Minister that mere bilateral trade agreements alone were only an initial and minor step in the direction of the big objective, which I thought this and all other countries should have uppermost in their minds and purposes, and which was the lowering of trade barriers simultaneously with the reopening of trade channels so that the \$20,000,000,000 to \$25,000,000,000 of international trade that had been destroyed by excessive trade barriers might be restored, and then this country and Costa Rica would get their full share of this vast amount of restored trade. I went on to say that this would be infinitely more valuable than any small increases of trade that might be brought about by twenty-five or fifty or a hundred mere bilateral bargaining trade agreements. I emphasized that this was the big way

in which we were striving to aid countries like Costa Rica and that in this way would his country stand to profit enormously more than by mere bilateral treaties.

C[ORDELL] H[ULL]

611.1831/80

The Minister in Costa Rica (Sack) to the Secretary of State

No. 962

SAN JOSÉ, December 9, 1935.

[Received December 16.]

SIR: Supplementing my despatch No. 961 of yesterday⁶ on the subject of the proposed trade agreement with Costa Rica, I have the honor to submit for the Department's information a few additional details on the conversations which led to the submission to this office on Saturday afternoon, December 7th, of Foreign Minister Gurdíán's counterproposals and supplemental requests. Until such time as I had something definite to report I did not care to burden the Department with details of all of my conversations seeking to speed up action by the Costa Rican Government.

As I heretofore informed the Department, the negotiations between this Legation and the Costa Rican Government were delayed by the attitude of Finance Minister Brenes, who has consistently proceeded on the theory that any reductions in customs duties would adversely affect the finances of this Government and particularly so at a time when the exchange value of the colón was depressed and the prospect of additional revenues for the Government was discouraging by virtue of a short coffee crop and other adverse business conditions. As I have also informed the Department, Mr. Brenes delayed the negotiations because of a desire to arm himself completely with statistics to show hypothetically how much Costa Rica might lose from the tariff reductions proposed by the United States on the basis of 1934 imports. The preparation of these statistics was prolonged for several months, although during this period of delay Mr. Brenes frequently assured this Legation that they were being prepared "as speedily as possible".

When Foreign Minister Gurdíán returned from his visit to the United States on Saturday afternoon November 23rd, I saw him in his office on the following Monday morning November 25th (see my despatch No. 950 of November 25⁷), and enumerated to him the delays which had occurred during his absence. In this connection it should be borne in mind that Mr. Gurdíán, as well as President Jiménez, had

⁶ Not printed. Under cover of this despatch the Minister in Costa Rica forwarded to the Department Costa Rican counterproposal for concessions under Schedule I and supplementary requests to Schedule II (611.1831/78).

⁷ Not printed.

personally assured me before Mr. Gurdíán's departure for the United States on September 22nd that there would be no delay whatsoever in the negotiations during his absence. In our conference on November 25, Mr. Gurdíán expressed his regret that delays had occurred and promised me to discuss the matter immediately with President Jiménez and Minister Brenes in order that the negotiations could then go forward to a speedy conclusion. He promised to advise me within a few days on the answers of the President and the Finance Minister.

On Friday afternoon, November 29, not having received Mr. Gurdíán's promised answer, I again discussed the matter with him and was told that the Finance Minister was ready and I would be informed the next day of the date of the resumption of negotiations. On Tuesday, December 3rd, I received from Finance Minister Brenes a letter enclosing statistics showing hypothetically what Costa Rica might lose in customs revenue from its commerce with all nations assuming the agreement did not stimulate imports above the 1934 figures. This statement showed a hypothetical loss of ¢1,814,024 from world imports, whereas the earlier estimate showed an imaginary loss of ¢1,718,526 from United States imports.

Following receipt of Mr. Brenes' communication I telephoned Mr. Gurdíán and we agreed to meet again on Thursday afternoon December 5th. In the meanwhile I prepared a brief informal memorandum to show that with the duty on flour removed, Brenes' estimated losses of ¢1,814,024 would be reduced to ¢798,510. (In 1934 Costa Rican customs receipts on flour imports totaled ¢1,015,514, of which amount ¢990,056 were received on flour imports from the United States). On the basis of the Department's instructions, as outlined in Schedule I, I also proposed in the same memorandum to recommend to the Department that it agree to bind lard at ¢0.40, the duty prevailing in 1934, and showed by deducting the ¢476,648 received from lard imports in 1934 that the anticipated losses to the Costa Rican Treasury would be just ¢321,862 instead of the original anticipated loss of ¢1,814,024 or a difference of ¢1,392,162 from Mr. Brenes' first figures, although the Costa Rican negotiators insisted on binding the rate at the 1935 figure of ¢0.50. I took this action because of my conviction that any agreement which sought to reduce the tariff on lard to ¢0.24 would arouse such widespread opposition that it might defeat the entire agreement. Further considerations on this question were presented to the Department on pages two and three of my despatch No. 961 of December 8, 1935. In my informal memorandum I added this language:

"This memorandum, however, is not to be regarded as an admission by the American Legation of the theory that any losses in tariff revenues whatsoever to the Costa Rican Government will result from the

operations of the proposed tariff reductions, but to the contrary it is contended that net revenues to the Government will increase through the stimulation of additional exchange of commodities. This has been the universal experience of other countries and it has been particularly true in the past eighteen months in the experience of those countries which have ratified new trade agreements with the United States. There is no reason therefore, to anticipate any decrease in net revenues to the Costa Rican Government. On the other hand there is much reason to believe these revenues will be stimulated."

On the morning of December 5, a few hours before I was to meet Ministers Gurdíán and Brenes, I took occasion to go to the Casa Presidencial to express to the President my gratification over the signing of the contract between the Government of Costa Rica and the Goodyear Tire & Rubber Company, providing for the establishment of a crude rubber industry in Costa Rica (See my despatch No. 958 of December 5th⁸). While there I again informally discussed the proposed agreement with don Ricardo.

I gave him on a piece of memorandum paper the figures which I had prepared for Mr. Brenes and Mr. Gurdíán in an effort to prove to the President that Mr. Brenes' fears of losses were not justified. At the same time I discussed items in Schedule I, upon which the United States Government was seeking tariff reductions to show to him that in my opinion these reductions would not reduce Costa Rican revenues but to the contrary would stimulate them and that for the most part they would result in a reduction in the cost price to Costa Rican consumers of many necessary articles of food and medicines, paints, et cetera.

The President agreed with me, and I have reason to believe that he informed Mr. Brenes of my visit because later in the afternoon when I saw Brenes I found him more inclined to come to an agreement than he had been heretofore.

During my conference with Brenes and Gurdíán I, of course, gave them a copy of my figures and used the arguments verbally that I had put in writing in the memorandum in reference to the estimated losses. At the conclusion of the conference the two Ministers agreed to submit other counter-proposals to me without delay in order that, as I pointed out to them, I could advise the Department immediately so that the negotiations would be completed, if possible, before the rapidly approaching Presidential elections.

On Thursday afternoon, Mr. Gurdíán discussed the additional items he wanted included in the agreement. These items embrace commodities which have been given special consideration in the agreements heretofore negotiated with other countries. Gurdíán's idea was, as I explained in my despatch No. 961, that even though Costa Rica

⁸ Not printed.

would be automatically entitled to these benefits under Most Favored Nation treatment, yet their inclusion specifically will arm the Costa Rican advocates of the agreement with additional sales talk when the agreement reaches the Congress for ratification.

During our conversations, Mr. Guardián informed me that he, Mr. Brenes and the Administration leaders in the Congress, will fight vigorously for ratification of the agreement and he expressed the opinion that ratification will be obtained.

Until such time as I hear from the Department as to whether it acquiesces to Costa Rican requests, I shall not discuss with Government officials their plans for obtaining early ratification of the agreement. But as soon as the Department authorizes me to accept or seek modifications to the Costa Rican proposals and this is out of the way and unless otherwise directed, I shall then very informally and discreetly discuss ratification with the President and Mr. Gurdíán and will endeavor to have them submit the matter to the Congress at the earliest possible date in order to obtain the necessary ratification.

Respectfully yours,

LEO R. SACK

**REPRESENTATIONS TO THE COSTA RICAN GOVERNMENT IN SUPPORT
OF THE CLAIM OF THE SIMMONS CONSTRUCTION COMPANY**

818.154/214

*The American Minister in Costa Rica (Sack) to the Costa Rican
Minister for Foreign Affairs (Gurdíán)*⁹

No. 99

SAN JOSÉ, August 6, 1934.

EXCELLENCY: I have the honor to inform Your Excellency that I have been instructed by my Government to intervene with you on behalf of the Simmons Construction Corporation with a view to obtaining compensation for damages said to have been sustained by that Corporation as a result of the violation of a highway construction contract between the Government of Costa Rica and the Corporation which was concluded on October 13, 1928.

My Government has caused a careful examination to be made of the case, and, in accordance with instructions, I respectfully set out below its understanding with respect to the factual and legal bases of the Corporation's claim and my Government's conclusions with respect to the matter.

It appears from available records that the contract in question grew out of the action of the Government of Costa Rica in inviting bids for

⁹ Note delivered in accordance with Department's instruction No. 67, July 18, 1934 (not printed). Copy transmitted to the Department by the Minister in Costa Rica in his despatch No. 375, August 6, 1934; received August 16.

the construction of certain highways and bids submitted by the Corporation in response to that invitation. It appears that six bids were submitted and that the bid of the Simmons Construction Corporation was accepted because it was the lowest and consequently was considered to be the most advantageous to the Costa Rican Government. The record indicates that the Corporation proceeded to execute the work awarded it by the contract, but that eventually numerous difficulties arose between it and the Government. It appears that late in the year 1929, the Costa Rican Government indicated its unwillingness to proceed with the work on a cost-percentage basis, as stipulated in the contract, and proposed that the work be done on a unit basis for a specified contract price.

It further appears that in the meantime correspondence was exchanged between the Government and the Corporation dealing with numerous matters in dispute between them, including the alleged failure of the Government to pay the Corporation certain sums said to have been long since overdue under the terms of the contract. On January 7, 1930, the Corporation addressed a communication to the appropriate official of the Government of Costa Rica with reference to the nonpayment of accounts and other matters and expressed its intention of demanding the cancellation of the contract, in accordance with the terms thereof, because of the alleged breaches on the part of the Government. The Corporation then notified the Government of its desire that the arbitral tribunal provided for in the final clause of the contract be established to pass upon its contention that the Government had violated certain provisions of the contract. In reply to this communication the Costa Rican Government expressed its willingness to join in the establishment of the arbitral tribunal with a view to obtaining the rescission of the contract on account of alleged breaches thereof by the Corporation. In apparent disregard of the terms of the contract and of the rights of the Corporation, the Government, at this stage, appears to have forcibly taken possession of the offices and records of the Corporation, as well as all material, machinery, equipment, and tools, and to have assumed charge of all work theretofore awarded the Corporation by the contract. It seems that this forcible ejection was made over the protests of the Corporation which was thereby prevented from continuing operations under the contract.

Despite the agreement of the Government to join in the establishment of an arbitral tribunal as provided for by the contract, the Corporation was eventually required to institute proceedings in a Costa Rican court to compel the Government to enter into an arbitral agreement. The arbitral agreement was thereupon signed on December 16, 1930, pursuant to the court order. As a result of dilatory tactics then resorted to by the attorney for the Government and the arbitrator

appointed by the Government, the arbitration was deadlocked for some eighteen months without the period for receiving evidence having been fixed. However, on July 13, 1932, approximately two and one half years after the Corporation had been forcibly ejected, the parties concluded a supplemental agreement for the purpose of terminating the controversy "at the earliest possible date." This agreement definitely fixed the periods for the reception of evidence and for the rendering of a decision.

However, on December 1, 1932, the date upon which the two arbitrators were required by the terms of the supplemental arbitral agreement to render an award, the arbitrator appointed by the Government having declined to join with the other arbitrator or to render any award, the arbitrator appointed by the Corporation, who was a citizen of Costa Rica, rendered an award in favor of the Corporation in the sum of \$223,541.13, with interest at the rate of eight per centum per annum.

It appears that subsequently, and after the period provided by the contract for concluding the arbitral proceedings and rendering the award, the arbitrator appointed by the Government, acting alone, received certain evidence, and on January 5, 1933, on the basis of that evidence, undertook to render an award in favor of the Government. Shortly thereafter the Government appears to have addressed a communication to the third arbitrator demanding that he assume the duty, alleged to have rested upon him under the terms of the arbitral agreements, of deciding which of the two awards should prevail. The Corporation duly challenged the authority of the third arbitrator in the circumstances, to take any action respecting the case. Pursuant to instructions from his Government, the American Minister delivered an *Aide-Mémoire* to the Minister for Foreign Affairs of Costa Rica on January 30, 1933, reserving the right of the Government of the United States to protest against the competency and authority of the third arbitrator. However, on February 4, 1933, the third arbitrator rendered a decision sustaining the award allegedly rendered by the arbitrator appointed by the Government.

The Corporation thereupon petitioned the Court of Cassation alleging that the arbitrator appointed by the Government and the third arbitrator were without jurisdiction to render awards. The Court decided, however, that the Corporation's appeal was inadmissible.

With reference to the failure of the arbitrator appointed by the Government to render an award on or before December 1, 1932, my Government is of the opinion that the reasons advanced by him in support of his refusal to act within the period fixed do not constitute justification for such refusal. His main argument, that the parties had fixed too short a period for the production of evidence and render-

ing of an award, scarcely requires comment. The period was fixed by an agreement between the parties and could, therefore, be extended only by a subsequent agreement between such parties. The contention that the proceedings were suspended pending the publication of *edictos* under Article 157 of the Code of Civil Procedure, on the theory that Mr. Simmons was an absent party, seems wholly without foundation since it is obvious that he was never in any sense a party to the contract concluded in 1928, and since under Article XII of the first arbitral agreement the arbitral proceedings were exempted from the general provisions of law governing civil procedure. The arbitrator's delay in rendering a decision on the ground that the attorney for the Government had not yet presented his final argument seems wholly unjustified since under Article VI of the supplemental arbitral agreement the arbitrators were obligated to render an award within the stipulated period, whether or not such final arguments were presented by either or both parties. Neither can his failure to render an award in due time be excused on the ground that the arbitral tribunal had not yet received in evidence the Effinger report. Mr. Effinger, an employee of the Government of Costa Rica, submitted his report under conditions which the arbitrators apparently had no power to meet, and on December 1, 1932, the period for receiving evidence had long since expired.

It appears, therefore, that the reasons advanced by the arbitrator appointed by the Government to support his refusal to render an award within the stipulated period are wholly unsound and constituted no justification for his failure to render a decision on or before December 1, 1932. In this situation, and in the light of express provisions of Costa Rican law, it seems clear that he was without jurisdiction to render an award subsequent to that date, and that the decision which he undertook to render on January 5, 1933, is, therefore, void and of no effect. It seems equally clear that the third arbitrator, who was authorized to act only in case there should be two conflicting decisions, was also without jurisdiction to render an award, and the so-called award rendered by him must, therefore, be regarded as a nullity and of no effect.

Reference may here be made to the contention, subsequently advanced, that under Article 15 of the first arbitral agreement both the Government arbitrator and the third arbitrator were authorized to render decisions subsequent to the expiration of the period fixed. It is obvious that the term "periods fixed" in this Article refers to the periods to be fixed by the arbitrators in conformity with the terms of that arbitral agreement. The arbitrators never fixed the periods for rendering decisions and they were deprived of their power to do so by the supplemental arbitral agreement in which the Government of

Costa Rica and the Corporation definitely fixed the periods. In the latter agreement it is recited that its provisions were agreed upon specifically "in order that the arbitral suit in question be terminated at the earliest possible date." Article 6 of this latter agreement reiterated the purpose of terminating the case with the least possible delay and provided definite and limited procedural periods for terminating the case, in accordance with that purpose. The purpose of this supplementary arbitral agreement, concluded on July 7, 1932 (two and one half years after the Corporation had been forcibly ejected and one and one half years after the first arbitral agreement was signed) is obvious—both parties desired "to terminate" the case "at the earliest possible date". To accomplish that result they fixed definite and limited periods. In this respect the provisions of that agreement seem clearly to supersede any conflicting provisions of the earlier agreement, and particularly Article 15, under which the Arbitration might be prolonged indefinitely, a condition completely at variance with the intent of the parties in concluding the subsequent arbitral agreement.

It seems clear, therefore, that only one award was legally rendered by the tribunal, namely that of the arbitrator designated by the Corporation. It seems to follow that that award must be regarded as the award of a sole arbitrator and, therefore, the award of the tribunal, or that no award was legally rendered by the tribunal. If it is the award of the tribunal, as to which there would seem to be no doubt since no other award was legally rendered, then the Government of Costa Rica is obligated to make payment to the Corporation in conformity with its terms. If it is not the award of the tribunal and if, consequently, no award has been legally rendered by the tribunal, then it seems equally clear that the Government of Costa Rica must accept responsibility for the action of the arbitrator designated by it, who, by refusing to render an award within the stipulated period, frustrated the arbitration.

My Government is, therefore, constrained to request that the Government of Costa Rica make payment to the claimant Corporation in conformity with the terms of the only award legally rendered by the arbitral tribunal established pursuant to the terms of the original construction contract concluded in 1928. If the Government of Costa Rica is unwilling to make payment, then my Government, in the interests of justice, is under the necessity of requesting that the case be now submitted to an international arbitral tribunal, upon terms to be stipulated by the two Governments, to determine what sum is rightfully due the claimant Corporation.

In view of the fact that more than four years have already elapsed since the Government of Costa Rica forcibly terminated the services of the Corporation, my Government would greatly appreciate receiving, at any early date, an indication of your Government's wishes concerning the alternative procedure suggested with a view to effecting a final settlement of the case.

I avail myself [etc.]

LEO R. SACK

818.154/229

The Chargé in Costa Rica (Drew) to the Secretary of State

No. 724

SAN JOSÉ, May 27, 1935.

[Received June 3.]

SIR: I have the honor to enclose herewith copy and translation¹⁰ of Note No. 293-B-420-87, dated May 21, 1935 from the Costa Rican Minister for Foreign Affairs, together with enclosures, in reply to this Legation's Note No. 99 of August 6, 1934 presenting a claim on behalf of the Simmons Construction Corporation in accordance with the Department's Instruction No. 67 of July 18, 1934.¹⁰

It will be observed that the Foreign Minister's Note is confined largely to presentation of "certain considerations of a purely moral nature" in connection with the claim, and encloses a brief prepared at his request by the attorney who represented the Government in the litigation with the Simmons Construction Corporation, Mr. Victor Vargas Quesada. The brief in question is principally devoted to a presentation of a refutation of the legal points raised in the Legation's Note of last August.

The main thesis of the enclosed communication, a point which has also been stressed to me orally by Mr. Gurdián, is that the Department's claim was formulated on the basis of erroneous information received from the Simmons Construction Corporation, and that the American Government will modify its opinion after studying the new data submitted by the Costa Rican Government. At the time that Mr. Gurdián made this statement to me, I assured him that the Department of State had been furnished with all documents and information bearing on the litigation which had become available to this Legation since the beginning of the case, and that I was confident that the claim of my Government had only been presented after the most careful consideration of that information.

Respectfully yours,

GERALD A. DREW

¹⁰ Not printed.

818.154/229

The Secretary of State to the Chargé in Costa Rica (Drew)

No. 182

WASHINGTON, July 12, 1935.

SIR: The Department refers to your despatch No. 724 of May 27, 1935, enclosing copies of a note from the Ministry of Foreign Relations dated May 21, 1935, in reply to this Government's note No. 99 of August 6, 1934, concerning the claim of the Simmons Construction Corporation. With the Foreign Office note was transmitted a brief prepared by the public attorney who represented the Government in the private arbitration of the claim.

[Here follows a statement which forms the substance of note No. 109, September 27, 1935, to the Costa Rican Acting Secretary of State for Foreign Affairs, beginning with the second paragraph, page 471.] You will therefore please prepare a note to the Foreign Office in the sense of the foregoing, making only such changes in the text thereof as are necessary.

With reference to previous intimations from the Foreign Office that it might be willing to pay some amount to the Simmons Construction Company in settlement of its claim without reference to its legal liability in the matter, you will please bear in mind in any informal conversations which may arise, that the Department is willing to consider any reasonable offer of settlement which the Costa Rican Government may make although your formal representations are to be confined to the statement indicated above.

Very truly yours,

For the Secretary of State:
R. WALTON MOORE

818.154/233

The Secretary of State to the Minister in Costa Rica (Sack)

No. 202

WASHINGTON, August 16, 1935.

SIR: I have received your despatch No. 792, of August 2, 1935,¹¹ in which you state that you will take no further action on the claim of the Simmons Construction Corporation, pending receipt of further instructions from the Department, in view of your opinion that such action may have an unfavorable bearing on the trade agreement negotiations¹² now in progress with the Costa Rican Government.

While the Department is reluctant to delay further the presentation to the Foreign Minister of the content of instruction No. 182, of July 12, 1935, you are authorized under the circumstances to make formal acknowledgment of the receipt of the Costa Rican Government's note

¹¹ Not printed.¹² See pp. 449 ff.

dated May 21, 1935. You should add the statement that this Government is giving careful consideration to the Foreign Minister's note, with its enclosures, and that a detailed reply will be submitted in the near future.

As soon as you deem it opportune to do so, you should present a note embodying the content of the Department's instruction No. 182. I trust that the trade agreement negotiations will be sufficiently advanced to permit you to present this note not later than October 1, 1935.

Very truly yours,

For the Secretary of State:

SUMNER WELLES

818.154/235

*The American Minister in Costa Rica (Sack) to the Costa Rican Acting Secretary of State for Foreign Affairs (Picado)*¹³

No. 109

SAN JOSÉ, September 27, 1935.

EXCELLENCY: I have the honor to refer to my note No. 95 of September 4, 1935, acknowledging the receipt of note No. 293-B of May 21, 1935, from His Excellency the Minister for Foreign Affairs, on the claim of the Simmons Construction Company, and to set forth below the opinions of my Government with respect thereto, reached after careful consideration of the note of May 21, 1935, already referred to.

After setting forth the factual and legal bases of the claim, as understood by my Government, this Legation's note No. 99 of August 6, 1934, requested (1) that the Costa Rican Government make payment to the claimant corporation in conformity with the award rendered by the company arbitrator, which in its opinion was the only award legally rendered by the arbitral tribunal established under the terms of the contract, or (2) that the case be submitted to international arbitration in accordance with terms to be agreed upon by the two Governments, in order to determine the amount due the claimant.

In reply to the first alternative the note of the Foreign Office of May 21, 1935, states that the award of the company's arbitrator can in no circumstances be considered the award of the tribunal; that even if the government arbitrator's award was not rendered within the prescribed time limit, the only recourse would have been to claim the nullity of the arbitration; in which case the procedure would have been to submit the questions between the Government and the company again to the decision of the same or new arbitrators who would finally solve the matter. It will readily be seen that any such procedure

¹³ Copy transmitted to the Department by the Minister in Costa Rica in his despatch No. 873, September 27; received October 7.

would have resulted in entirely nullifying the arbitration agreement of July 7, 1932. The only purpose of that agreement was to compel the arbitrators to hand down a decision within a definite time, a thing which the government arbitrator had refused to do for more than eighteen months under the old agreement which contained no time limitation. To submit the question which the government arbitrator still refused to decide within the time set by the new agreement, again to the same arbitrator is not logical; but even if new arbitrators were chosen the arbitral agreement could again be nullified by the refusal of one of the arbitrators to submit his award within the time set by the agreement. Thus new time limits could be set and new arbitrators could be appointed indefinitely until the expense and the time consumed rendered the whole situation a farce. My Government cannot consent to any such solution as disposing of the rights of its nationals.

Despite the attempt of the public attorney to prove that the government arbitrator's award was rendered in time, he has brought forth nothing which was not before my Government when its previous note was written. It therefore remains convinced that the government arbitrator's award was rendered after the expiration of the time set in the arbitral agreement of July 7, 1932, that the award of the company's arbitrator was the only award legally rendered, and therefore that the only alternative to payment of that award is to submit the claim to international arbitration.

With respect to the latter alternative the Minister for Foreign Affairs states that, while it is comprehended that a government may be internationally responsible for the decisions of its courts resulting in a denial of justice, it is inadmissible that the same responsibility can be alleged in the case of a decision rendered by a private tribunal constituted by the parties to the controversy, adding that in the present instance the decision of the private tribunal was confirmed by the highest court of the Republic of Costa Rica.

Without discussing the effect of the decision of a private tribunal when both of the parties litigant are private persons (a matter not under consideration here), it is not believed that Your Excellency's Government will contend that when one of the parties litigant is the Government itself, it can divest itself of its governmental character and responsibility for any irregular or improper acts of its appointed representatives which result in injustice to the nationals of another country. To acquiesce in any such contention would be to admit that any injustice can be done to a foreigner provided only that it is done by a specially constituted tribunal rather than by the regularly constituted tribunals of the country. However, even were such an argument sound, it has no present application because, as pointed out

above, the decision of the private tribunal in the instant case was appealed to the highest court of the country and was confirmed by that court. Thus, an award which, in my Government's opinion, was rendered in an irregular and illegal manner, has been confirmed by the highest court of Costa Rica, for whose decisions the Foreign Minister admits the Government is responsible and the rule of international law to that effect is well established.

In the brief of the public attorney it is contended that the controversy cannot be submitted to international arbitration because the decision of the third arbitrator disposed of the question of the illegality of the award of the government arbitrator; that the only appeal from the private arbitral tribunal was to the Court of Cassation and that that appeal having been availed of, the matter is *res adjudicata* and cannot be inquired into further. Whatever may be the correctness of the public attorney's opinion on this matter from the standpoint of Costa Rican law, it is certain that it has no standing in international law. My Government has frequently contested the doctrine that any government can set up the decision of its tribunals as a bar to an international claim where such decisions are unjust or in violation of international law and its contentions in this regard have been upheld by international tribunals in numerous cases. Not only is diplomatic interposition not prohibited when a controversy has been adjudicated by the highest court of a country but it is precisely only when the exhaustion of local remedies has taken place that a resort to diplomatic intervention is permissible under international law.

In an effort to support his position that the decision of the private arbitral tribunal cannot be questioned by this Government, the public attorney cites the following provisions of the Second Hague Conference:

"The contracting powers agree not to have recourse to force for the collection of contractual debts which the government of one nation claims from the government of another country as contracted with nationals of the claiming country.

"This agreement, nevertheless, will not be applicable when the debtor state refuses or fails to reply to an offer of arbitration, or after having accepted the offer, prevents any agreement from being reached, or after the arbitration, fails to submit to the award".¹⁴

Far from supporting his position, these provisions are in direct contravention of that position. It is clear that the provisions cited have reference to international arbitration and not to private arbitration, and the seriousness with which the contracting parties consider the failure of a debtor government to pay its debt or to respond to an

¹⁴ Convention concerning the recovery of contract debts, signed at The Hague, October 18, 1907, *Foreign Relations*, 1907, pt. 2, p. 1199.

offer of international arbitration is shown by the fact that they inferentially sanction the use of force in such cases.

The public attorney complains, however, that no principle of international law has been violated and that the intervention of my Government in behalf of the claimants is therefore unjustified. Contrary to such assertions, my Government considers that the arbitrary annulment of the contract by the Costa Rican Government, the seizure by force of the offices and archives of the company, as well as the machinery and materials, thus preventing it from carrying on under the contract, the studied delays and impediments placed in the way of carrying out the arbitration by the Costa Rican Government's representatives, the irregularities in connection with the submission and consideration of the Effinger report, as well as the injustice done to the company by the award of the government arbitrator and the concurring award of the third arbitrator, each and all constitute ample basis under well recognized principles of international law for the intervention of my Government.

In view of the considerations indicated above, my Government is unable to agree with the contention of Your Excellency's Government that the claim of the Simmons Construction Company is unfounded and does not merit the espousal of my Government. While desirous of arriving at a satisfactory and amicable adjustment of the matter, my Government is compelled to adhere to the position set forth in its note of August 6, 1934, requesting that the Costa Rican Government either give effect to the only award legally rendered or that the matter be submitted to an international tribunal to determine what amount should be paid to the claimant.

I avail myself [etc.]

LEO R. SACK

818.154/236

The Minister in Costa Rica (Sack) to the Secretary of State

No. 878

SAN JOSÉ, October 3, 1935.

[Received October 9.]

Sir: In further reference to my Despatch No. 873 of September 27, 1935,¹⁵ wherein I informed the Department of the submission to the Costa Rican Foreign Office of the note in reference to the claim of the Simmons Construction Corporation as embodied in the Department's Instruction No. 182 of July 12, 1935, I have the honor to attach herewith a copy and translation of a Note received today from

¹⁵ See footnote 13, p. 471.

Acting Foreign Minister Picado,¹⁶ acknowledging receipt of my Note No. 109 and informing me that "opportunistically" he will advise me of the attitude of his Government.¹⁷

I also have the honor to attach herewith clipping and translation¹⁸ of a speculative—very likely inspired—newspaper story which appeared in *La Tribuna*, the administration organ, the morning following the presentation of my Note No. 109 to the Foreign Office.

I had expected that there would be additional newspaper protests against the action of the United States Government, but up to now the *Tribuna* article is the only one which has appeared in print. The Department will recall that last summer during Mr. Drew's incumbency as Chargé d'Affaires ad interim there was much unfavorable newspaper discussion concerning the action of the United States Government in pressing the Simmons claim, but upon instructions from President Jiménez and Foreign Minister Gurdíán the Costa Rican press ceased its publication of these articles. At that time, President Jiménez said: ". . . affairs of this nature are not to be treated publicly."

Respectfully yours,

LEO R. SACK

¹⁶ Not printed.

¹⁷ No further correspondence with the Costa Rican Government respecting this case has been found in the Department files.

CUBA

ATTITUDE OF THE UNITED STATES GOVERNMENT TOWARDS THE CUBAN ELECTIONS

837.00/6104a : Telegram

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

WASHINGTON, March 4, 1935—2 p.m.

24. From Welles. Referring to our telephone conversation of this morning, the Department will give to the press this afternoon for release in tomorrow morning's newspapers the following statement:

"It has come to the attention of the Department of State that reports have been circulated during recent weeks in Cuba, with regard to the national elections which the Cuban Government has announced will be held to provide for the passage from the existing system of provisional government to that of a constitutional government, that the Government of the United States favors the participation in such elections of certain political groups or parties to the exclusion of others.

"The new Treaty of Relations between the United States and Cuba concluded on May 29, 1934,¹ which replaced the Treaty of 1903,² abolished the special relationship previously existing between our two countries. The consummation of the present Treaty of Relations has made it emphatically clear that this Government will not intervene directly or indirectly in the political concerns of the Cuban people. It consequently neither favors nor opposes the participation in Cuba's national elections of any particular party or group. It does hope sincerely, however, because of the peculiarly close friendship existing between our two peoples that when national elections are held the result thereof may represent the effective will of the Cuban people, freely expressed.

"The great benefits immediately derived from the Trade Agreement³ between the United States and Cuba, to the common advantage of the American and Cuban peoples, and the other benefits accruing to the Republic of Cuba from the economic policy pursued by this Government during the past two years have given practical and convincing proof of the sincerity of the desire of this Administration to assist Cuba to regain national prosperity. The continuing reports which the Department of State has received of the rapid strides which Cuba has made towards economic and social rehabilitation have caused

¹ *Foreign Relations*, 1934, vol. v, p. 183.

² Signed May 22, 1903, *ibid.*, 1904, p. 243.

³ Signed August 24, 1934; see *ibid.*, 1934, vol. v, pp. 108 ff.

the Government of the United States the deepest gratification. It is this Government's most earnest hope that this encouraging trend may neither be retarded nor blocked by any failure on the part of the Cuban political parties and groups to agree upon those measures of electoral procedure necessary to insure the orderly return by the Republic of Cuba to representative government."

It would seem desirable in order to insure accuracy in translation of this statement by the Cuban press that translations be prepared by the Embassy itself and given to the Cuban newspapers. [Welles.]

HULL

DOMINICAN REPUBLIC

EFFORTS OF THE UNITED STATES TO PROTECT AMERICAN BUSINESS INTERESTS IN THE DOMINICAN REPUBLIC

339.115 General Motors Export Co./§ : Telegram

The Minister in the Dominican Republic (Schoenfeld) to the Secretary of State

SANTO DOMINGO, April 4, 1935—1 p.m.
[Received 3:45 p.m.]

11. I am informed that Mr. Amadeo Barletta honorary Italian Consul in Santo Domingo and president of Santo Domingo Motors Company and of Dominican Tobacco Company respectively was arrested on his arrival at San Pedro de Macoris by air from San Juan this morning and is detained in the fortress here. I understand that clerk of the Italian Consulate has telegraphed the Italian Minister at Habana but there is some question whether this telegram which was sent in clear was permitted to go out.

See enclosures to my personal letters of March 14 and March 16¹ to the Chief of Division of Latin American Affairs. American citizens including officers of General Motors Export Company of New York and Penn Tobacco Company of Wilkes-Barre, Pennsylvania are understood to have substantial stock interest in companies mentioned of which Barletta is president. No official information is available as to reasons for detention of the Consul nor has it been announced whether his exequatur has been canceled. Suggest that Department cause Italian Legation at Havana to be advised if no objection to so doing is seen.

SCHOENFELD

339.115 General Motors Export Co./3 : Telegram

The Secretary of State to the Minister in the Dominican Republic (Schoenfeld)

WASHINGTON, April 16, 1935—3 p.m.

8. General Motors Corporation advise Department they have advanced large sums to Barletta as working capital and in order to protect their interests they are sending a representative, Todd, to Santo

¹ Not found in Department files.

Domingo in effort to communicate with Barletta. If Todd requests your assistance you are authorized, provided you perceive no objection, to lend your informal good offices in effort to arrange opportunity for him to communicate with Barletta about the corporation's business.

HULL

339.115 General Motors Export Co./4 : Telegram

The Minister in the Dominican Republic (Schoenfeld) to the Secretary of State

SANTO DOMINGO, April 17, 1935—10 a.m.
[Received 11:58 a.m.]

20. Department's telegram 8, April 16, 3 p. m. Up to the present time the Italian Minister has been refused permission to see Barletta. Yesterday local court in which supposed judicial proceedings against Barletta are pending fixed bail in the case at \$250,000 in cash or \$375,000 in real property. Deegan representative of General Motors Acceptance Corporation informed me yesterday that court had asked Santo Domingo Motors Company for comparative statement "to be added to the record" of the value of automotive products sold by the company to the Dominican Government during the Vásquez administration and during the Trujillo administration.

Whatever the real motive may be the matter has been given distinctly political complexion by the action of the Dominican Government. Consequently I apprehend that without more categorical instructions from the Department efforts to arrange for Todd to communicate with Barletta would be futile.

SCHOENFELD

339.115 General Motors Export Co./5 : Telegram

The Minister in the Dominican Republic (Schoenfeld) to the Secretary of State

SANTO DOMINGO, April 18, 1935—noon.
[Received 3:35 p.m.]

22. Department's cable 8, April 16. Todd arrived yesterday but has not decided whether he wishes to ask the Legation to interpose informal good offices in effort to arrange opportunity for him to see Barletta. His hesitation is apparently due to enactment yesterday by Dominican Congress of a law providing for official control through judicial administrator over property of persons against whom proceedings are pending for alleged offenses against security of the state.

Law provides that such property shall be liable for indemnity to the state and cannot be transferred by owner without the consent of judicial authorities. This law seems to be peculiarly applicable to Barletta case. Article 42 of the Dominican Constitution provides that laws shall not have retroactive effect and law mentioned may therefore be held unconstitutional if the point is ever raised.

SCHOENFELD

339.115 General Motors Export Co./6 : Telegram

The Minister in the Dominican Republic (Schoenfeld) to the Secretary of State

SANTO DOMINGO, April 19, 1935—1 p.m.

[Received 1:25 p.m.]

23. My telegram No. 22, April 18. Todd called on me this morning and asked me to endeavor to arrange an opportunity for him to communicate with Barletta. Accordingly I am writing to the Minister for Foreign Affairs informally in the sense of the Department's telegram number 8 and requesting him to advise me whether and if so when I may present Todd to him for the purpose of making desired arrangements.²

SCHOENFELD

339.115 General Motors Export Co./9 : Telegram

The Secretary of State to the Minister in the Dominican Republic (Schoenfeld)

WASHINGTON, April 19, 1935—7 p.m.

11. Reference Department's telegram No. 10 April 19, 6 p. m.³ Penn Tobacco Company has communicated further with the Department referring to the urgent cable received today from Marcus ^{3a} and requesting that you "cable full confidential report from Marcus on situation with reason for his request". You are authorized to cable such message.

HULL

² In telegram No. 27, April 23, 11 a. m., the Minister in the Dominican Republic reported that, in reply to his informal letter of April 19, the Minister for Foreign Affairs, in a note dated April 22, stated that the request had been referred to the judge in charge of the proceedings who had replied that Mr. Barletta was incommunicado. The Minister for Foreign Affairs added that the Government had no power to modify this judicial decision. (339.115 General Motors Export Co./19)

³ Not printed.

^{3a} Manager of Dominican Tobacco Company.

339.115 General Motors Export Co./10: Telegram

The Minister in the Dominican Republic (Schoenfeld) to the Secretary of State

SANTO DOMINGO, April 20, 1935—11 a.m.

[Received 2:45 p.m.]

24. Department's telegrams 10^{3b} and 11, April 19. . . .

.
... Marcus informs me that effective boycott of Dominican Tobacco Company's products is being applied both under Government direction and otherwise for fear of Government reprisals. Representations to the Dominican Government may be timely in protest against discrimination to the detriment of this American-owned enterprise. See also enclosure to my letter of March 14⁴ to Mr. Edwin Wilson.⁵

SCHOENFELD

339.115 General Motors Export Co./13: Telegram

The Secretary of State to the Minister in the Dominican Republic (Schoenfeld)

WASHINGTON, April 22, 1935—5 p.m.

13. Your 24, April 20, 11 a.m. Cable from Marcus has been delivered to the Penn Tobacco Company.

Please call on the Minister for Foreign Affairs and leave with him a memorandum in the following words:

"The Penn Tobacco Company, an American Company which states that it owns 50 per cent of the stock of the Dominican Tobacco Company, has advised the Government of the United States of its apprehension that measures being taken against the latter company by the Dominican authorities may prejudice the interests of the Penn Tobacco Company.

The Government of the United States would appreciate information concerning any steps being taken against the Dominican Tobacco Company, and is of course confident that no action will be taken which would discriminate against or otherwise prejudice the interests of the Penn Tobacco Company."

HULL

^{3b} Not printed.

⁴ Not found in Department files.

⁵ Chief of the Division of Latin American Affairs.

339.115 General Motors Export Co./33

The Minister in the Dominican Republic (Schoenfeld) to the Secretary of State

No. 2410

SANTO DOMINGO, April 23, 1935.

[Received April 29.]

SIR: Referring to my despatch No. 2399 of April 18, 1935,⁶ I have the honor to enclose for the Department's strictly confidential information copy of a memorandum⁶ of a conversation I had with the Italian Minister on April 22 in further relation to the imprisonment in Santo Domingo of Mr. Amadeo Barletta, Italian Consul.

The Department will note from this memorandum that no solution of this problem satisfactory to the Italian Government has yet been found and that in all probability the forms of a judicial trial of Barletta will be gone through. In that event, the Italian Minister told me he expected to attend the trial and to follow it closely, having a stenographic record thereof kept for the information of his Government.

The Italian Minister in several conversations with me has hinted rather plainly that he and his Government felt that the lawless and arbitrary procedure of the Government vis-à-vis the Italian Government in the Barletta case should be made the subject of conversations on behalf of the Italian Government directly with our Government, on the ground that in their opinion the American Government is "responsible" for the state of affairs in this Republic. I have not pursued this line of thought in talking with the Italian Minister but report its existence in anticipation of a possible *démarche* by the Italian Ambassador at Washington in this relation. I gather that the alleged responsibility imputed to us is vaguely connected with an Italian interpretation of the Monroe Doctrine and with the belief that more direct measures should be taken by the American Government to control the action of the Dominican Government affecting foreign nationals and interests.

H. F. ARTHUR SCHOENFELD

339.115 General Motors Export Co./23: Telegram

The Minister in the Dominican Republic (Schoenfeld) to the Secretary of State

SANTO DOMINGO, April 24, 1935—1 p.m.

[Received 5:45 p.m.]

29. Department's telegram 13, April 22. I delivered to the Minister for Foreign Affairs this morning memorandum directed. The Min-

⁶ Not printed.

ister assured me that no action prejudicial to the interests of the Penn Tobacco Company in the Dominican Company will be taken and was inclined to deny that any action detrimental to the latter company had been taken. He was not very insistent as to the latter point however. I believe delivery of memorandum will have beneficial effect.

Ministry of Foreign Affairs also said that law reported in my despatch 2407 [2398] ⁷ will not be applied retroactively even to Barletta's property interests. It is not yet certain that law has been or will be promulgated by the President.

Marcus informs me today that as vice president of the company he advised Internal Revenue Office officially yesterday that Dominican Tobacco Company would suspend operations "for a period longer than 22 hours and for an indefinite time". He says he is leaving matter of reopening the factory in abeyance until Barletta's case is disposed of.

SCHOENFELD

339.115 General Motors Export Co./31 : Telegram

The Minister in the Dominican Republic (Schoenfeld) to the Secretary of State

SANTO DOMINGO, April 28, 1935—4 p.m.
[Received 6:50 p.m.]

33. See enclosure to my despatch No. 2398, April 18,⁷ and second paragraph of my telegram No. 29, April 24. Last night press published official notice by the state's attorney for the national district that by virtue of article I of law number 893 promulgated April 24 he had constituted the state a civil party in the proceedings against certain persons named, including Barletta, charged with certain specified offenses in violation of the Penal Code as amended and any accomplices of such persons. Notice directs any debtor of the accused who wishes or is obliged to settle obligations to address himself to Judge of Instructions in charge of the proceedings, states that payments shall be made through this magistrate and that all stocks held by accused are subject to first lien for indemnity and nontransferable from the date of commission of offenses charged.

It appears that bill reported in my despatch cited has been promulgated and is being applied retroactively notwithstanding the statements of Minister for Foreign Affairs reported in my telegram cited.

In view of the fact that General Motors Corporation and Penn Tobacco Company besides other American nationals are known to be

⁷ Not printed.

interested heavily if not to the extent of ownership of majority of stock in Santo Domingo Motors Company and Dominican Tobacco Company respectively of which Barletta referred to in official notice is president, I believe it would be wise precaution to advise Dominican Government of reservation of all rights in behalf of American nationals whose interests are, or may be, adversely affected by proceedings announced in pursuance of law Number 893.

SCHOENFELD

339.115 General Motors Export Co./45

*The Minister in the Dominican Republic (Schoenfeld) to the
Secretary of State*

No. 2436

SANTO DOMINGO, April 29, 1935.

[Received May 1.]

SIR: Referring to my despatch No. 2417 of April 25, 1935,^o I have the honor to enclose a letter under today's date^o from Mr. Libert Marcus, Vice President of the Dominican Tobacco Company, C. por A., a largely American-owned enterprise, with regard to a proposed fine in the amount of \$2,000 which may be assessed upon the company for alleged violation of certain Dominican internal revenue legislation, namely paragraph 17 of Law No. 858 of March 19, 1935. This law was reported in my despatch No. 2324 of March 26 [*No. 2349 of April 1*], 1935.^o

I also enclose a copy with translation of a report dated April 25 [20], 1935,^o by three internal revenue inspectors setting forth the circumstances which apparently occasioned the proposed levy of the fine, together with a copy and translation^o of a statement dated April 22, 1935, by the company explaining the incident.

It will be noted that Mr. Marcus' letter enclosed solicits the assistance of the Department in this matter. Mr. Marcus tells me orally today that, while the matter of the possible payment of the fine of \$2,000 is not regarded as in itself of great significance, in view of the losses which the company has already suffered by virtue of the imprisonment of its president and the boycott against the company's products, as previously reported, he believes that, in the special circumstances of the case, the Department may wish to authorize the Legation to make appropriate representations to the Dominican Government. It might be consonant with representations already made to the Dominican Government, in pursuance of the Department's tele-

^o Not printed.

gram No. 13 of April 22, to bring this matter to the Government's attention, and I respectfully request instructions.

Respectfully yours,

H. F. ARTHUR SCHOENFELD

339.115 General Motors Export Co./42 : Telegram

The Secretary of State to the Minister in the Dominican Republic
(Schoenfeld)

WASHINGTON, April 30, 1935—4 p.m.

14. Your No. 33, April 28, 4 p.m. Department approves and authorizes you to make reservation of all rights in behalf of American nationals whose interests are or may be adversely affected by proceedings announced in pursuance of Law No. 893.

HULL

339.115 General Motors Export Co./55 : Telegram

The Secretary of State to the Minister in the Dominican Republic
(Schoenfeld)

WASHINGTON, May 2, 1935—5 p.m.

17. Your 29, April 24, 1 p.m. Address formal note to the Dominican Government stating that despite the assurances given you by the Minister for Foreign Affairs that no action prejudicial to the interests of the Penn Tobacco Company in the Dominican Tobacco Corporation will be taken and denying that any action detrimental to the latter company had been taken, the Chairman of the Penn Tobacco Company and other American stockholders in the Dominican Tobacco Corporation have today informed the Department that the attitude of the Dominican authorities has been such as to prevent the handling by dealers in the Dominican Republic of cigarettes manufactured by the Dominican Tobacco Corporation, thus compelling the factory to suspend operations and causing losses to the American interests involved.

State that this Government is now advised that American interests actually own 55 per cent of the stock of the Dominican Tobacco Corporation. Request immediate investigation into the charge hereinabove mentioned that the Dominican authorities are preventing the operation in the Dominican Republic of this American owned company, and request that if facts are as charged effective remedial action be promptly taken in order that legitimate interests of the Company may no longer be prejudiced. Add that this Government reserves the right to present a claim on behalf of these American in-

terests for any loss they may have suffered to date or may suffer in the future as a result of any undue interference with their legal rights.

HULL

339.115 General Motors Export Co./56 : Telegram

*The Secretary of State to the Minister in the Dominican Republic
(Schoenfeld)*

WASHINGTON, May 2, 1935—6 p.m.

18. Your 33, April 28, 4 p.m. Address formal note to the Dominican Government inquiring whether the proceedings announced in pursuance of Law No. 893 are intended to affect the Santo Domingo Motors Company. You may state that the General Motors Export Corporation, an American corporation, advises the Department that it has outstanding approximately \$60,000 on automobiles shipped to the Santo Domingo Motors on which the latter had accepted 90-day drafts; also approximately \$85,000 of collections due to it which are being made for its account by the Santo Domingo Motors Company. Furthermore, as a pledge securing these advances the Santo Domingo Motors Company has delivered to the General Motors Export Corporation approximately 90 per cent of the stock of the former company.

State in your note that the Government of the United States, in view of the substantial American interest in the affairs of the Santo Domingo Motors Company, desires to receive full information concerning any steps being taken against the latter company by the Dominican authorities and expects that no action will be taken which would in any way adversely affect the American interests in question.

HULL

339.115 General Motors Export Co./59 : Telegram

*The Secretary of State to the Minister in the Dominican Republic
(Schoenfeld)*

WASHINGTON, May 3, 1935—6 p.m.

21. Your 27, April 23, 11 a.m.¹¹ Address formal note to the Foreign Minister referring to your letter of April 19 and to his reply of April 22, and state that your Government has now instructed you to request formally that the representative of the General Motors Export Corporation in Santo Domingo be given suitable opportunity, in order to protect the Corporation's interests, to confer with its agent,

¹¹ See footnote 2, p. 480.

Barletta, about the Corporation's business. State that this Government has taken due note of the statement of the Foreign Minister that the Barletta case is in the hands of the court, but that this Government is unwilling to believe that the Dominican judicial authorities and the Dominican Government desire to continue to prejudice the interests of an American company by depriving it of access to its agent, when it is evident that such access could be arranged under suitable conditions that would in no way defeat or hinder the pursuit of justice by the Dominican authorities.

HULL

339.115 General Motors Export Co./98 : Telegram

*The Secretary of State to the Minister in the Dominican Republic
(Schoenfeld)*

WASHINGTON, May 9, 1935—2 p.m.

23. Your despatch No. 2346 [2436], April 29; your 44, May 4, 5 p.m.,¹² and 45, May 7, 4 p.m.¹² As acts in connection with which fine imposed on Dominican Tobacco Company, a majority of whose stock is American owned, were committed, according to statement of Dominican Inspectors of Internal Revenue, prior to enactment of law of March 13, 1935, prescribing the fine, courts obviously precluded by Title VII, Section I, Article 42, of Dominican constitution, from convicting under such law.

You are authorized to submit representations in writing to appropriate authorities, supplemented by oral discussion if you deem it advisable, pointing out the summary nature of trial, lack of notice thereof, right of company to be represented by counsel, inability under circumstances for accused to present defense and haste with which decision announced, a 24-page decision having been handed down within 15 minutes after case called for hearing. You should stress that this Government is deeply interested in seeing and must insist that its citizens are accorded all rights to which they are entitled by established principles of international law, especially that they do not suffer a denial of justice or of just procedure. Finally, you should request the prompt remission of the fine imposed upon the company and reserve in behalf of American interests all rights growing out of any losses that may have been sustained by the company through this incident.

Keep Department informed of all developments.

HULL

¹² Not printed.

339.115 General Motors Export Co./95 : Telegram

The Minister in the Dominican Republic (Schoenfeld) to the Secretary of State

SANTO DOMINGO, May 10, 1935—6 p. m.
[Received 9:12 p. m.]

51. My telegram No. 47, May 8, 6 p. m.¹³ Italian Minister called on me today and apparently on the strength of telegrams received from his Government and from Italian Ambassador at Washington sounded me as to extent of cooperation he might expect from me in support of a possible peremptory demand on his part to the Dominican Government through the President of the Republic for immediate release of Barletta, guarantees of complete protection for latter's property and claim by the Italian Government for indemnity for international offense involved. He felt that nothing more could be obtained by him from the Dominican Government unless we were prepared to extend scope of our interposition in the case beyond the strict range of interests of American nationals in Santo Domingo Motors Company and Dominican Tobacco Company and into the range of defending also strictly Italian interest in the case as to which we had hitherto been disinterested.

He again indicated that his Government might decide to make naval demonstration here and sounded me as to our attitude in such eventuality. I replied that such action would obviously raise question of high policy as to which I could express no opinion but I suggested that consideration of such matters be deferred pending result of our representations here. He answered that even if our representations were successful action of Dominican Government would not meet obligation of Dominican Government to afford Italian Government satisfaction.

It seems possible that the Italian Minister and his Government are at least tentatively considering confronting us with the dilemma of continuing to avoid interposition here in relation to what may be termed Italian political interest in Barletta case or of accepting responsibility for exerting influence on Dominican Government to satisfy that interest. Latter alternative seems also to involve choice of an American policy of bringing to bear upon the Dominican Government compelling pressure that might be expected to have the effect of discrediting it further in the eyes of its own people and a policy of protecting Dominican Government against a European power seeking to press its possible rights which action on our part might tend to strengthen prestige of Dominican Government in the face of persuasive signs of its increasing unpopularity.

SCHOENFELD

¹³ Not printed.

339.115 General Motors Export Co./117

*The Minister in the Dominican Republic (Schoenfeld) to the
Secretary of State*

No. 2483

SANTO DOMINGO, May 10, 1935.

[Received May 13.]

SIR: Referring to the Department's telegraphic instruction No. 23 of May 9, 1935, directing me to make a representation to the Dominican Government in writing in relation to the fine imposed upon the Dominican Tobacco Company, C. por A., on May 4 by a local court for alleged violation of certain Dominican internal revenue laws, I have the honor to enclose for the Department's information a copy of a note under today's date to the Minister of Foreign Affairs in the sense directed. The Department will observe that the second paragraph of the enclosed note is somewhat more comprehensive than it would have been had I adhered strictly to the second paragraph of the Department's telegraphic instruction under acknowledgment. The inclusion in the enclosed note of a reference to Article 44 of Executive Order No. 197 of August 19, 1918, known as the Law of Internal Revenue, was deemed desirable because of a reference to it in the decision of the court, of which a copy was enclosed with my despatch No. 2474 of May 7.¹⁴

I beg leave to add that a study of the Court's decision in the case and a more extensive examination of Executive Order No. 197, disclose that the pertinent citation of the latter is Article 44, and not Article 9, as suggested my despatch No. 2474. Article 44 of the Executive Order provides for a fine of two hundred to two thousand dollars, but does not mention a penalty of imprisonment, although Article 51 prescribes alternative imprisonment in the event of failure to pay a fine.

It will be noted from the copy of the decision transmitted with the despatch last cited that the Dominican Tobacco Company was also "condemned" to pay the costs of the proceeding and that the imprisonment of the company's president, Mr. Amadeo Barletta, was adjudged by the court in language to the effect that the company was condemned "to suffer the penalty of two years of correctional imprisonment, executable also in the person of the same president-treasurer, Mr. Amadeo Barletta." In other words, it was the American-owned company which was condemned and not the individual personally. Barletta was apparently sentenced to imprisonment, not in his personal capacity but solely in his capacity as president of the American-owned company.

¹⁴ Not printed.

In view of these facts, I respectfully suggest that I be authorized by telegraph to supplement the note to the Foreign Office herewith enclosed, so as to cover these two points by using language similar to that of the last paragraph of the enclosed note, requesting also remission of the costs of the proceedings assessed upon the company and remission of the penalty against the company "executable" by imprisonment in the person of its president-treasurer.

Respectfully yours,

H. F. ARTHUR SCHOENFELD

[Enclosure]

The American Minister (Schoenfeld) to the Dominican Minister for Foreign Affairs (Logroño)

No. 205

SANTO DOMINGO, May 10, 1935.

MR. SECRETARY: I have the honor to refer to a proceeding before the Court of First Instance of the local judicial district (Penal Chamber) on May 4, 1935, against the Dominican Tobacco Company, C. por A., a corporation in which, as I have previously had the honor to point out to Your Excellency, American nationals have a majority stock interest. My Government has been informed that as a result of the proceeding in question a fine of \$2,000 was assessed against the company and a sentence of two years imprisonment imposed upon the president of the company, Mr. Amadeo Barletta.

My Government now instructs me to state to Your Excellency that, as the acts in connection with which the severe penalties imposed on the Dominican Tobacco Company, according to the report of inspectors of internal revenue of Your Excellency's Government, on the basis of which the judicial action was brought, were admittedly committed prior to the enactment of Laws Nos. 855 and 858 of March 13, 1935, prescribing the penalties imposed, the court was obviously precluded by Title 7, Section I, Article 42 of the Constitution of the Dominican Republic from convicting the company and its president under such laws. Your Excellency's Government will, of course, recognize that the penalties prescribed in the proceedings by virtue of the laws enacted last March were more severe than those prescribed in Article 44 of Executive Order No. 197, of August 19, 1918, under which even the maximum penalties could not have been the fine and sentence of imprisonment imposed in this case.

I am instructed by my Government further to point out the summary nature of the proceedings, the lack of notice thereof to the company, the right of the company to be represented by counsel, the impossibility under the circumstances for the accused to present de-

fense and the haste with which the decision of the court mentioned was announced. The facts supporting these respective statements are as well known to Your Excellency as they are to my Government. My Government directs me to point out also that the twenty-four page decision which was handed down by the court mentioned within a few minutes after the case was called for hearing, is regarded as having special significance as to the nature of the judicial proceedings in this case.

I am directed to state to Your Excellency with emphasis that the Government of the United States is deeply interested in seeing and must insist that its nationals be accorded all rights in the Dominican Republic to which they are entitled by established principles of international law and especially that they do not suffer a denial of justice or of just procedure.

The Government of the United States instructs me to request the prompt remission of the fine imposed upon the company and to reserve, in behalf of American interests, all rights growing out of any loss that may have been sustained by the company through this incident.

I avail myself [etc.]

H. F. ARTHUR SCHOENFELD

339.115 General Motors Export Co./127 : Telegram

*The Minister in the Dominican Republic (Schoenfeld) to the
Secretary of State*

SANTO DOMINGO, May 14, 1935—noon.

[Received 1:22 p.m.]

58. My telegram No. 57, May 13.¹⁵ Marcus informs me today he has been unable to communicate with Barletta who is still in jail. He adds that Pastoriza, mentioned in recent telegrams, had long conversation with Barletta yesterday and left this morning by air to call on Allen, chairman of Penn Tobacco Company, regarding business of Dominican Tobacco Company. Marcus believes Pastoriza will act for Dominican Government. Marcus requests that Allen reserve his decision pending his receipt of Marcus' letter of May 13 which goes forward through the Department by steamer pouch today and pending free decision by Barletta after latter's release. Marcus says he is apprehensive Government is trying to evade liabilities incurred and considers it essential that Allen and Mr. Morris Clark of General Motors Export Company be advised of foregoing immediately.

SCHOENFELD

¹⁵ Not printed.

839.115 General Motors Export Co./155

*Memorandum by the Chief of the Division of Latin American Affairs
(Wilson)*

[WASHINGTON,] May 14, 1935.

At the Secretary's request the Dominican Minister called on him this morning. Assistant Secretary Welles and Mr. Wilson were present.

The Secretary began the conversation by referring to the effort the American states had been making, at conferences such as that at Montevideo and in the individual action of the various states, to improve and strengthen their internal position and the international repute of the family of American nations. Such effort, the Secretary said, was of course based on principles of fair play and reasonable dealings towards all other countries and towards the nationals of other countries, and on respect for the obligations of international law. This "good neighbor" policy was one of which the American states could be justly proud. . . .

The Secretary then referred to the case of Mr. Amadeo Barletta. The Secretary said that he fully appreciated the fact that Mr. Barletta was an Italian citizen; nevertheless, the facts regarding the treatment given this Italian consular officer in the Dominican Republic were now known to the world. Mr. Barletta had been seized and thrown into prison and kept there incommunicado for over five weeks, during which time the Italian Minister had been unable to obtain any access to him whatsoever. The Secretary said that treatment such as this was certainly not in accordance with the principles of fair play and reasonable dealings toward all other countries embodied in the policy of the "good neighbor"; and he deplored the fact that this incident must inevitably tend to discredit the Pan-American community in the opinion of other countries. The Secretary said that he would be lacking in candor if he failed to point out to Mr. Brache that the Italian Government obviously could not permit such an affront to go unchallenged and that that Government might well resort to drastic measures, such as sending not one battleship but several battleships to the Dominican Republic, in which case the Dominican Government could hardly look for any sympathy from the United States or from the other American nations.

The Secretary said that there were two other matters, not mentioned in the memorandum,¹⁶ of which he desired to speak. One had to do with the brutal beating and shooting of the messenger of the American Legation, a British subject; this messenger, who had been ill and apparently out of his mind, had gone to the house of a Domini-

¹⁶ *Infra*.

can officer, but had in no way threatened any violence; nevertheless, the members of the armed forces of the Dominican Government had cruelly beaten him and then shot him, and the poor fellow was in the hospital very seriously injured and probably permanently incapacitated. The other case the Secretary desired to mention was that of an American citizen who had been arrested about the same time as Mr. Barletta had been arrested, and apparently on similar charges, and had since that time, that is, for about six weeks, been held incommunicado. (This reference was to the case of Mr. Oscar Michelena, although the Secretary did not mention him by name, nor did Mr. Brache inquire the name of the American citizen in question.)

Finally, the Secretary expressed his sincere hope that the Dominican Government would no longer lag behind in the effort in which every one of the other American states were loyally working and cooperating, the effort of placing their relations with all other countries on the basis of the "good neighbor" in order to improve and strengthen the position and the international standing of the community of American states. He expressed his confident hope that the Dominican Government would again take part in this effort, and that it would take all necessary steps to remove causes for complaint which had arisen in the instances which he had mentioned and those which were set forth in the memorandum.

As regards the case of Mr. Barletta, Mr. Brache made two contradictory statements: he stated in the first place that he, Mr. Brache, was a close personal friend of Mr. Barletta and hoped fervently that Mr. Barletta would be proved innocent; in the next breath Mr. Brache stated that while he was a close friend of Mr. Barletta nevertheless Mr. Barletta was of a "passionate" temperament and might very well have been implicated in the matters concerning which charges had been made against him, and he, Mr. Brache, trusted that Mr. Barletta would be proved guilty in order that the actions of the Dominican Government in his case might thereby be justified.

Mr. Brache said that he had recently been considering making a trip to the Dominican Republic; that while he had within the last day or so practically abandoned the idea, nevertheless, he felt that in view of what the Secretary had said to him he believed it would be helpful if he should leave in the immediate future, in order to discuss this situation with President Trujillo. He promised his own best efforts to correct any injustices which had been committed by the Dominican authorities as regards American nationals and interests, and stated that in his opinion there was a good deal which was required to be done in this field.

EDWIN C. WILSON

339.115 General Motors Export Co./155½

The Department of State to the Dominican Legation

MEMORANDUM

The Government of the United States has been caused serious concern by the nature of the treatment accorded certain American nationals and certain American interests in recent months by the authorities of the Dominican Republic.

Examples of such instances may be cited as follows:

The retroactive application of Article 89 of the Dominican Constitution as amended in June, 1934, has deprived various American enterprises operating in the Dominican Republic of the enjoyment of rights to which they were legally entitled under contracts previously entered into. The aspects of the retroactive application of Article 89 of the Constitution as amended, to which this Government takes exception, are:

(1) Its simple application to contracts previously made so that exemptions from certain taxation would not be accorded after the constitutional amendment of June 1934; and

(2) The action of the Dominican Government in collecting certain taxes where exemption in individual instances have been specifically granted in accordance with contract stipulations.

The Dominican Government is informed of the American companies affected by the above cited aspects of the retroactive application of Article 89 of the Dominican Constitution as amended. Despite oral assurances given by the Dominican Minister in Washington that no unilateral interpretation would be enforced on the American companies so as to injure their interests, nevertheless the Dominican authorities are in fact enforcing such unilateral interpretation on certain American companies so as to oblige them to pay, although under protest, taxes as to which their contracts provide exemption.

The Dominican authorities have recently, in thoroughly inconsiderate and arbitrary procedure, deported from the territory of the Republic two American citizens, Mr. Felix Emilio Tavard and Mr. Hans Schnabel.

Mr. Felix Emilio Tavard was arrested by the Dominican military authorities and detained in prison from March 22 to March 26, 1935; he was called before the Commanding Officer of the Dominican Army on April 3, and instructed to be prepared to leave the country within two or three days, being advised at the same time that the Dominican immigration authorities would take charge of his deportation. He left the country with his wife on April 9. On March 23 the American Minister addressed a note to the Dominican Foreign Office in this case asking to be informed of the charges against Mr. Tavard, as well

as against his son, who was also being detained, expressing at the same time the hope that a prompt investigation would be made concerning the arrest and detention of these two persons with a view to assuring to them the guarantees of the Constitution and laws of the Dominican Republic and of the pertinent rules of the law of nations. The only reply received from the Foreign Office was that incorporated in a note of March 28, 1935, stating that Mr. Felix Emilio Tavard, as well as his son, were being submitted to justice under the accusation of having taken part in a frustrated attempt against the security of the State. There were apparently no judicial proceedings of any character; nor has any evidence been furnished by the Dominican Government which would lead the American Government to alter its belief that the expulsion of Mr. Tavard was not authorized by any existing Dominican legislation.

Mr. Hans Schnabel was summoned to the headquarters of the Commanding Officer of the Dominican Army on March 28, 1935, and summarily instructed that he must depart from the Dominican Republic within twenty-four hours, no reason for the expulsion order being advanced. Mr. Schnabel left the country on April 2, the time limit for departing having been extended following an informal request by the American Minister to the Dominican Minister for Foreign Affairs. There were apparently no judicial proceedings of any character; nor has any evidence been furnished by the Dominican Government which would lead the American Government to alter its belief that the expulsion of Mr. Schnabel was not authorized by any existing Dominican legislation.

On April 4, 1935, the Dominican authorities arrested Mr. Amadeo Barletta, the Italian Consul in Santo Domingo, and held him incommunicado until May 11. While Mr. Barletta is an Italian subject, he is also the President of the Dominican Tobacco Company, the controlling interest of which is held by American citizens; he is as well the President of the Santo Domingo Motors Company, the Dominican agent for the General Motors Export Corporation, an American company. Shortly after the arrest of Mr. Barletta the United States Government communicated to the Dominican Government that the American interests in the Dominican Tobacco Company were apprehensive that measures being taken against this company by the Dominican authorities might prejudice the American interests involved. Assurances were given the American Minister by the Dominican Minister for Foreign Affairs that no action prejudicial to the American interests in the Dominican Tobacco Company would be taken, and the Minister for Foreign Affairs denied that any action detrimental to the latter company had been taken. Nevertheless, notwithstanding the assurances and denials mentioned, the American stockholders in the Domini-

can Tobacco Company are advised that the attitude of the Dominican authorities has been such as to prevent the handling by dealers in the Dominican Republic of cigarettes manufactured by the Dominican Tobacco Company. This has compelled the factory to suspend operations and has caused losses to the American interests involved.

On May 4 the Penal Court of First Instance in Santo Domingo sentenced the Dominican Tobacco Company to \$2,000 fine and costs and its President, Mr. Barletta, to two years imprisonment in connection with the alleged violation by the company of certain internal revenue legislation. It appears that no notification of the proceedings was served at the legal domicile of the company so that the latter was not legally apprised of the action; moreover, Mr. Barletta, president of the company, was in prison and incommunicado when the Internal Revenue officials found the alleged violation of the fiscal laws; for the same reason he could not obtain advice of counsel or consult the active managers of the factory; the company was deprived of its right to be represented by counsel or to present any defense; it is understood that this "trial" lasted about fifteen minutes; and that the court's decision, consisting of some twenty-four typewritten pages with an elaborate statement of reasons and references to complicated fiscal laws, was at once handed down,—within, as noted, fifteen minutes after the case was called. The American Minister, under instructions from this Government, has made formal reservation in behalf of American interests of all rights growing out of any losses that may have been sustained by the company in connection with any of the aspects of this case, and has requested the prompt remission of the fine imposed upon the company.

Shortly after the arrest of Mr. Barletta, president of the Santo Domingo Motors Company, the American Minister, under instructions from this Government, advised the Dominican Minister for Foreign Affairs, on April 19, 1935, that the General Motors Corporation had advanced large sums to Mr. Barletta as working capital and in order to protect its interests was sending a representative to Santo Domingo to communicate with Mr. Barletta; the American Minister informally requested that opportunity might be afforded to the representative of the Corporation to communicate with Mr. Barletta about the Corporation's business. This request was denied on April 22 by the Dominican Government, which stated that the case was in the hands of the courts. Subsequently to this reply the American Minister, under instructions from this Government, requested formally, on May 4, 1935, that the representatives of the General Motors Export Corporation be given suitable opportunity, in order to protect the Corporation's interests, to confer with its agent, Mr. Barletta, about the Corporation's business. This Government while

taking note of the statement that Mr. Barletta's case was in the hands of the court, was unwilling to believe that the Dominican judicial authorities and the Dominican Government desired to continue to prejudice the interests of an American company by depriving it of access to its agent, when it was evident that such access could be arranged under suitable conditions that would in no way defeat or hinder the pursuit of justice by the Dominican authorities. No reply has yet been received from the Dominican Government to this request, although this Government understands that on May 11, over five weeks after Mr. Barletta's imprisonment, representatives of the General Motors Export Corporation were at last permitted to visit Mr. Barletta.

On April 27, 1935, an official notice was published in the Santo Domingo press by the State's attorney for the National District that by virtue of Article I of law No. 893, promulgated April 24, he had constituted the State a civil party in the proceedings against certain persons named, including Mr. Barletta, charged with certain specified offenses in violation of the Penal Code as amended. The notice directed any debtor of the accused who wished or was obliged to settle obligations to address himself to the Judge of Instructions in charge of the proceedings, stated that payments should be made through this Magistrate and that all stocks held by the accused were subject to first lien for indemnity and non-transferable from the date of commission of the offenses charged. In view of the fact that the Dominican Tobacco Company, of which Mr. Barletta is President, is controlled by American interests, and that the General Motors Export Corporation is heavily interested in the Santo Domingo Motors Company, of which Mr. Barletta is also President, the American Minister, under instructions from this Government, formally reserved all rights in behalf of American nationals whose interests were or might be adversely affected by the proceedings announced in pursuance of law No. 893.

The Government of the United States deplors the effect upon the relations between the two countries as a result of acts such as those mentioned above. It is the desire of this Government to strengthen in every possible way those close and friendly relations with the Dominican Republic which have happily existed during the past decade. It is also its hope that means may be found whereby the two Governments may cooperate to their mutual advantage in developing commercial relations between them. Neither of these two objectives, however, can be attained unless the citizens of each country can have confidence that neither in their person nor in their property will they be subject to arbitrary or illegal treatment while under the jurisdiction of the other country. Such essential confidence can, of course, not exist

so long as acts such as those above described are permitted to continue. The Government of the United States ventures to believe that the Government of the Dominican Republic will take those steps necessary to remove all just grounds for complaint which the nationals of this Government have had, and in particular in those specific instances mentioned, and has confidence that as the result of their removal, the relations between the two countries may once more be of that peculiarly friendly nature which it is the earnest desire of the Government of the United States to preserve.

WASHINGTON, May 14, 1935.

339.115 General Motors Export Co./131 : Telegram

*The Secretary of State to the Minister in the Dominican Republic
(Schoenfeld)*

WASHINGTON, May 14, 1935—7 p.m.

25. For your information. At my request the Dominican Minister called this morning and I spent an hour going over with him the situation caused by the nature of the treatment accorded certain American nationals and certain American interests in recent months by the authorities of the Dominican Republic.

I expressed my surprise, disappointment and concern that such acts had been permitted to occur and I handed the Minister a memorandum¹⁷ furnishing instances of these acts. I also mentioned the Barletta case and said I deplored the fact that treatment such as this consular officer of a European Government received in the Dominican Republic must inevitably tend to discredit the Pan American community in the eyes of other countries. I said that obviously the Italian Government could not permit such an affront to go unchallenged and that that Government might well resort to drastic measures, in which case the Dominican Government could hardly expect any sympathy from the United States or the other American nations. Finally, I expressed the hope that the Dominican Government would no longer lag behind in the effort in which every one of the other American states are loyally working and cooperating, an effort to improve and strengthen the position and international repute of the family of American nations, an effort based naturally on fair play towards all other countries and respect for obligations of international law.

The Minister said that he intended to leave shortly for Santo Domingo to discuss these matters with President Trujillo.

HULL

¹⁷ *Supra.*

339.115 General Motors Export Co./136: Telegram

*The Minister in the Dominican Republic (Schoenfeld) to the
Secretary of State*

SANTO DOMINGO, May 16, 1935—10 a.m.

[Received 12:20 p.m.]

63. My telegram No. 61 yesterday.¹⁸ Italian Minister informed me last night that on telephone request from Barletta late yesterday afternoon and in the automobile of Garcia Mella¹⁹ which was sent for him he called at the prison and had conversation with Barletta and Garcia Mella. The latter informed the Italian Minister that bail might now be reduced from figure previously mentioned to \$100,000 and after few minutes conversation he indicated amount might further be reduced to \$50,000. Garcia Mella reiterated Government's admission of Barletta's innocence. Latter said he would be guided entirely by the wishes of his own Government as to the matter of posting bond and asked Italian Minister for advice. Italian Minister answered that he could not properly give any advice without consulting Italian Government. Garcia Mella spoke of necessity of posting bond in order to save "Dominican Government's pride".

I think Italian Minister is of opinion that Barletta should be released without bail especially as both Minister of Foreign Affairs and Secretary of State for the Presidency have repeatedly stated, and latter stated again yesterday, that Dominican Government admits Barletta's innocence.

In view of foregoing I think it would be helpful if Department would authorize me by telegraph at this time to act as recommended in the last paragraph of my despatch No. 2483, May 10.

SCHOENFELD

339.115 General Motors Export Co./144: Telegram

*The Secretary of State to the Minister in the Dominican Republic
(Schoenfeld)*

WASHINGTON, May 17, 1935—5 p.m.

26. Your despatch 2483 of May 10, 1935 and telegram No. 63 of May 16. You are authorized to address a supplementary note to the Dominican Government along the lines suggested in the last paragraph of the above despatch.

¹⁸ Not printed.

¹⁹ Dominican Secretary of State for the Presidency.

If you ascertain that American interests in the Dominican Tobacco Company are sustaining injury as a result of the continued imprisonment of the President of the Company you are authorized to add it as an additional point.

HULL

339.115 General Motors Export Co./147: Telegram

The Minister in the Dominican Republic (Schoenfeld) to the Secretary of State

SANTO DOMINGO, May 18, 1935—11 a.m.
[Received 1:45 p.m.]

67. Your telegram No. 26, May 17, 5 p.m. I am delivering note to Foreign Office this morning in the sense of your instruction and I am stating on the basis of information supplied to me by vice president of Dominican Tobacco Company that American interests in the Company are evidently sustaining injury as a result of continued imprisonment of the Company's president.

SCHOENFELD

339.115 General Motors Export Co./148: Telegram

The Minister in the Dominican Republic (Schoenfeld) to the Secretary of State

SANTO DOMINGO, May 18, 1935—noon.
[Received 1:05 p.m.]

68. The Italian Minister informs me this morning that under instructions from his Government he delivered a formal note this morning to the Dominican Government demanding the unconditional and immediate release of Barletta. He informs me that his note is couched in very courteous terms but is unequivocal.

SCHOENFELD

339.115 General Motors Export Co./149: Telegram

The Minister in the Dominican Republic (Schoenfeld) to the Secretary of State

SANTO DOMINGO, May 18, 1935—3 p.m.
[Received 7:45 p.m.]

70. My telegram No. 60, May 15.²⁰ Dominican Minister to Washington who arrived here by air yesterday called on me this morning.

²⁰ Not printed.

He told me he had preliminary talk with President Trujillo and other members of the Government yesterday regarding subject of his conversations with the Secretary of State on May 14. He said President Trujillo had every disposition to accommodate the United States in matters of interest to us and intimated that the President might wish to have a conference with him and with me to discuss pending issues affecting American interests. I said I was entirely at the President's disposal for such conference. As I have not received copy of the memorandum referred to in your No. 25,²¹ I mentioned no specific cases. He moreover mentioned some of the matters which seem to have been listed in your memorandum and repeated general assurances regarding the President's desire to settle them.

Brache spoke also of other matters including Article 3 of convention²² and port works contracts, activities of Morales,²³ monetary convention, Dominican National Bank, recent murder of Bencosme²⁴ in New York and visit of Under Secretary Espinola to the United States, though his remarks as to these matters characteristically lacked precision and are not of special interest.

Regarding Barletta case Brache seemed not to be well informed having just arrived here but he made a point of saying that the attitude of the Secretary of State and other officers of the Department of State had been most considerate and courteous and was much appreciated. He added however that President Trujillo's character would not permit him to yield to "fear," this evidently being a reference to reports of possible military measures on the part of the Italian Government. I spoke to Brache in the sense of your telegram number 25 and suggested possibility of withdrawing from the courts charges against Barletta. He was not encouraging as to the possibility or as to releasing Barletta without bail.

SCHOENFELD

339.115 General Motors Export Co./179

Memorandum by the Under Secretary of State (Phillips)

[WASHINGTON,] May 18, 1935.

The Italian Ambassador called me on the telephone this morning to say that he has received a further telegram from his Government

²¹ May 14, 7 p.m., p. 498.

²² Convention between the United States and the Dominican Republic signed December 27, 1924, *Foreign Relations*, 1924, vol. I, p. 662.

²³ Angel Morales, political exile living in New York; Dominican Minister in the United States, 1926-30.

²⁴ Sergio Bencosme, associate of Dr. Morales and living with him in New York; shot by assassin April 28, 1935; died April 30.

with regard to the Barletta case; he says that Italy will demand unconditional freedom and that they will not accept freedom on bond; the Italian Minister in Santo Domingo has been instructed to insist upon unconditional freedom and also to demand the reasons for the continued delay in meeting Italy's requests. The telegram also states that, if Italy's requests are not granted, the Italian Government will have to consider more energetic measures.

The Ambassador added that he had not been instructed to communicate the above information to the Department, but was doing it, nevertheless, to keep us wholly advised of the situation.

WILLIAM PHILLIPS

339.115 General Motors Export Co./154: Telegram

The Minister in the Dominican Republic (Schoenfeld) to the Secretary of State

SANTO DOMINGO, May 20, 1935—5 p.m.

[Received 8:08 p.m.]

74. Italian Minister informs me this afternoon that he saw Minister of Foreign Affairs this morning. Minister of Foreign Affairs began by stating to the Italian Minister that as the Barletta case was in the hands of the courts he was unable to give an answer to his note reported in my No. 68, May 18. Italian Minister replied that his Government could not accept the thesis implied in statement of Minister of Foreign Affairs as to independence of courts and that if this were the response of the Dominican Government he would have to telegraph his Government to that effect and asked that note in this sense be sent him. Minister of Foreign Affairs thereupon asked Italian Minister to defer telegraphing his Government in such sense and that he would receive an answer tomorrow. Italian Minister promised not to telegraph Rome until tomorrow. Italian Minister informs me that at the request of Brache he is having an interview with latter this afternoon.

SCHOENFELD

339.115 General Motors Export Co./159: Telegram

The Secretary of State to the Minister in the Dominican Republic (Schoenfeld)

WASHINGTON, May 20, 1935—7 p.m.

28. Your 71 May 20, 1 p. m.²⁵ You are authorized to urge President Trujillo to withdraw charges against Barletta, making appropriate

²⁵ Not printed.

reference to my statements to the Dominican Minister as reported in Department's 25 May 14, 7 p.m. and to the fact that American interests are sustaining injury as the result of Barletta's continued imprisonment.

HULL

339.115 General Motors Export Co./171: Telegram

*The Minister in the Dominican Republic (Schoenfeld) to the
Secretary of State*

SANTO DOMINGO, May 21, 1935—noon.

[Received 8:30 p.m.]

76. My telegram No. 71, May 20, 1 p. m.²⁶ I called on President of the Dominican Republic this morning. Vice President and Dominican Minister to the United States were present. The President asked me to give him the substance of your conversation with the Dominican Minister to the United States on May 14 and I read to him in Spanish your telegram No. 25.²⁷ After reading this telegram I said I had received last night another telegram from you and thereupon read him your number 28.²⁸ The President asked me to interpret the significance of your number 28 and I said that I understood it to mean precisely what it said adding that the charges against Barletta were regarded as unfounded and that both the Secretary of State for the Presidency and the Minister of Foreign Affairs had agreed that the Dominican Government so considered them. The President said he had the friendliest feeling for Barletta but that he was amazed to learn members of his Government had stated that Barletta was innocent as determination of this matter was in the courts. I said I could not enter into a discussion along these lines and reiterated the substance of the statement in your No. 25 as to the international significance of the Dominican Government's action in the Barletta case. I added that Italian Government had taken a definite position and that we felt that the most expeditious method deemed by the Dominican Government to be appropriate for withdrawing the charges was called for.

The President of the Republic asked me to advise him what matters my Legation had pending with the Foreign Office. I had prepared in advance a list of unanswered notes and handed it to him. The President had Brache translate it in his presence and assured me that he would give all pending matters personal attention.

²⁶ Not printed.

²⁷ *Ante*, p. 498.

²⁸ *Supra*.

He asked me to assure you that he had every disposition to satisfy the United States in every way; that aside from his personal esteem and affection for the United States and individual Americans he deemed it to be the duty of any President of the Dominican Republic in the interests of his own country to maintain the most cordial relations with the United States; and that in peace as in war the Dominican Republic under his Presidency would be always at the side of the United States. I thanked the President for these assurances and said I would convey them to you.

I then said there were the other matters of a more general nature which it seemed to me, would require the close attention of the Dominican Government in its relations with the United States and which had not up to the present time been satisfactorily disposed of. I said I would not go into details as to these matters in this conversation but I proceeded to mention in general terms retroactive application of article 89, of the constitution as amended affecting contracts of American companies with the Dominican Government providing for certain tax exemptions, difficulties of the American-owned electric company in collecting Government bills due to it and other difficulties; the Dominican Government's action in having pledged future revenues in contracts contrary to article 3 of the convention; the question of the floating debt including sums due to American firms directly or indirectly. In this part of the conversation I also referred to the expulsion of Hans Schnabel, murder of Juan N. Miranda in 1933, the recent shooting and beating of the Legation's messenger Caines and unspecified cases of apparently arbitrary arrest and detention of American citizens. The President again gave me his general assurance of satisfactory action and personal attention to such matters.

Returning to Barletta case, I understood the President to give me definite assurances that the charges would be withdrawn but as to the precise method for effecting this result he was not clear.

The President indicated clearly that Logroño would be removed as Minister of Foreign Affairs. I took pains to say that my relations with the present incumbency of that office had always been correct and that I should regret it if any statement of mine should motivate any action the President might take in re-forming his Cabinet. The President said that he desired me whenever I had any pending problem to feel free to come to see him and discuss it with him. I thanked the President for this suggestion which he has made before. I told him, however, that while I would be very glad to avail myself of his offer should occasion arise, I had heretofore felt and would probably in the future continue to feel that the accumulation of unfinished business between the Legation and the Foreign Office should not be permitted. I intimated that governmental arrangements which would

insure the President's personal knowledge of current business at the Foreign Office seemed to be internal matters of organization as to which I should not feel free to make any suggestion such as would be implied in my bringing current business to his attention by virtue of our friendly personal relations.

. . . I think we may anticipate a period of personal activity by the President in endeavoring to satisfy our requirements and perhaps even a temporary cessation of the wayward course recently followed affecting American and other foreign interests. . . . but the circumstances surrounding administration here uniformly confirm general knowledge that the President is not only officially responsible for all governmental action here but also personally active in directing and controlling many matters of minute detail.

SCHOENFELD

339.115 General Motors Export Co./170 : Telegram

The Minister in the Dominican Republic (Schoenfeld) to the Secretary of State

SANTO DOMINGO, May 21, 1935—3 p. m.

[Received 7:35 p. m.]

77. My telegrams numbers 75²⁹ and 76³⁰ today. Italian Minister informed me about 1 o'clock today that he saw President of the Republic shortly after my interview with the latter this forenoon and received assurance that Barletta would be released unconditionally at once while certain legal formalities would be completed subsequently. Barletta was released about half past one this afternoon.

SCHOENFELD

339.115 General Motors Export Co./184 : Telegram

The Minister in the Dominican Republic (Schoenfeld) to the Secretary of State

SANTO DOMINGO, May 29, 1935—6 p. m.

[Received 8 p. m.]

84. My despatches number 2483 and number 2510, May 10 and 18.³¹ Court of Appeals today reversed decision of lower court which imposed fine of \$2,000 on Dominican Tobacco Company, condemned company to penalty of 2 years imprisonment in the person of its president and to pay costs of proceeding.

SCHOENFELD

²⁹ Not printed.

³⁰ *Supra.*

³¹ Despatch No. 2510, May 18, not printed.

ECUADOR

PROPOSAL FOR A MODUS VIVENDI BETWEEN THE UNITED STATES AND ECUADOR PROVIDING FOR UNCONDITIONAL MOST-FAVORED- NATION TREATMENT IN COMMERCIAL MATTERS

611.2231/26

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

No. 38

QUITO, May 1, 1935.

[Received May 16.]

SIR: I have the honor to report that the Minister for Foreign Affairs¹ has requested me to communicate to the Department the desire of the Government of Ecuador to enter into negotiations with the United States looking towards the conclusion of a reciprocal Commercial Treaty. Dr. Ponce stated that the appreciable improvement last year in imports from the United States and in the export of Ecuadorean products to our country indicated the expediency of consolidating the gains made, and that his Government considered the present moment opportune to begin such conversations. He added that Ecuador would be glad to negotiate a Commercial Treaty with the United States and that he hoped that the Department could see its way clear to initiate conversations as soon as possible.

Respectfully yours,

ANTONIO C. GONZALEZ

611.2231/27 : Telegram

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

QUITO, May 15, 1935—4 p.m.

[Received May 16—12:51 a.m.]

29. The President and the Minister for Foreign Affairs have reiterated their desire to begin promptly the negotiation of a reciprocal trade treaty and have urged that I renew request contained in my despatch No. 38, May 1st. They desire to conclude as soon as possible with the United States a broad treaty liberalizing trade which might be the basis of Ecuador's commercial policy in concluding agreements with other countries.

¹ Alejandro Ponce Borja.

My despatch No. 44,² arriving May 18th, sets forth the views of the Government relative to the Buenos Aires Conference.³ The Ecuadorean delegation will support the imperativeness of returning to freedom of commerce, of removing artificial barriers such as compensation and quota systems and of reducing customs duties.

An expression of the Department's views particularly as to the feasibility of beginning negotiations promptly would be helpful.

GONZALEZ

611.2231/27

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

No. 52

WASHINGTON, September 4, 1935.

SIR: The Department has given its careful consideration to the desire of the Ecuadoran Government to begin the negotiation of a trade agreement with this Government, as reported in your telegram No. 29 of May 15, 1935, and your despatch No. 38 of May 1, 1935.

While it appears that preliminary discussions might develop an adequate basis to warrant the initiation of such negotiations, you are advised, for your confidential information, that the Department desires to defer such discussions until after trade agreement negotiations have been instituted with several other countries to which certain preliminary intentions have already been communicated.

Accordingly, if you are of the opinion that a reply on the subject is necessary or desirable at this date, you may, upon some opportune occasion, inform the appropriate Ecuadoran authorities that their interest in the negotiation of a trade agreement is greatly appreciated, and that it is hoped that at some future time a mutually convenient opportunity may be found to initiate discussion of the subject.

Very truly yours,

For the Secretary of State:
R. WALTON MOORE

611.2231/33

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

No. 161

QUITO, October 28, 1935.

[Received November 7.]

SIR: I have the honor to report that the Minister for Foreign Affairs at the regular diplomatic reception on October 11, 1935, referred to the preferential tariff at present enjoyed by France (see despatch No. 97 of September 27, 1935, of the American Consulate General at Guayaquil²). He explained that the latter had insisted upon this

² Not printed.

³ For correspondence concerning this Conference, see p. 218.

concession in view of the favorable trade balance enjoyed by Ecuador and that his Government had been obliged to accede in order to retain its market in that country for coffee and cacao. He added that it was not his policy to accord concessions of this kind to European countries. Rather it was his conviction that such trade advantages should be granted to the United States which is the principal market for the bulk of Ecuadorean products.

I took advantage of this opportunity to point out to the Minister that the existing agreement with France is definitely discriminatory against the United States in principle as well as in fact, and I expressed the hope that his Government would take immediate steps to correct this situation. I suggested as a possible solution the conclusion of a *modus vivendi* providing for most-favored-nation treatment similar to that concluded by the United States with Chile on September 28, 1931,⁵ whereunder the concessions granted to imports from France would be extended to imports from the United States during the life of the Ecuadorean-French *modus vivendi*.

The Minister replied that unfortunately the agreement with France is so worded that the advantage resulting therefrom can not be extended to other countries merely by virtue of a most-favored-nation clause, and that in order to obtain these or similar concessions it is necessary to conclude a special treaty on the subject. It is true that the agreement in question is in the nature of a conditional advantage, but the fact must not be lost sight of that the trade relations of the United States with Ecuador are almost identical to those of France and Ecuador in that we purchase more from this country than we sell. However, there is a most important exception in our favor in that the value of Ecuador's exports to the United States is more than double that to France. Moreover, I do not necessarily agree with the Minister that the advantages in question are not susceptible to extension to the United States under the provisions of a most-favored-nation clause. It is possible that he has taken this position in an endeavor to expedite our giving serious consideration to the immediate negotiation of a Commercial Treaty wherein a solution for this particular difficulty would also be provided. In view thereof I feel that the question of discrimination by Ecuador against the United States in favor of France should be considered jointly with the desire of the Government of Ecuador to conclude a trade agreement which I have discussed in my despatch No. 162 of this same date and to which I respectfully invite the attention of the Department.

Respectfully yours,

ANTONIO C. GONZALEZ

⁵ *Foreign Relations*, 1931, vol. 1, pp. 926-927.

611.2231/32

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

No. 162

QUITO, October 28, 1935.

[Received November 7.]

SIR: With reference to my despatch No. 38 of May 1, 1935, and subsequent correspondence, particularly the Department's confidential instruction No. 52 of September 4, 1935, concerning the desire of the Ecuadorean Government to initiate the negotiation of a trade agreement, I have the honor to report that at the regular diplomatic reception on October 11, 1935, the Minister for Foreign Affairs again brought up this question. He said that in examining the records of the Foreign Office he had noted that the desire of the Ecuadorean Government to negotiate a Commercial Treaty with the United States had already been brought to the attention of the Legation by the former Minister for Foreign Affairs, Señor Alejandro Ponce Borja, but that apparently nothing had been done. He then said that the Chief Executive, Señor Páez, was personally interested in this matter and had instructed him to discuss it with me again and to emphasize the necessity of initiating negotiations as soon as possible.

The Minister then told me that his Government is particularly desirous of initiating the negotiations at this time since it believes that the commercial relations between the two countries should be consolidated by a formal agreement which would inure to the benefit of both parties. Moreover, the question of a new trade treaty with Japan will undoubtedly arise when the Trade Commission of that country visits Ecuador in the near future. In this connection he explained that his Government does not wish to discuss a trade agreement with Japan until it has regularized its relations with the United States. Therefore, he stated, it was his intention to address me a note on the subject which he hoped would receive favorable attention by the Department. A copy of the note with English translation is enclosed herewith.⁶

In compliance with the Department's confidential instruction No. 52 of September 4, 1935, I told the Minister that the Department greatly appreciates the interest of the Ecuadorean Government in the negotiations of a trade agreement and hopes that at some future time a mutually convenient opportunity might be found to initiate a discussion on the subject. The Minister was grateful for this expression of our intentions but he was insistent in his conviction of the expediency of initiating the negotiations immediately. Moreover, his subsequent confirmation of the conversation by a formal note is ob-

⁶ Not printed.

viously an attempt on his part to expedite favorable action by the Department. In view of these circumstances, as well as the matter of discrimination discussed in my despatch No. 161 of October 28, 1935, it would seem desirable to reconsider the advisability of beginning a discussion of the subject. Should the Department not be prepared at this time to initiate the negotiation of a general commercial treaty in which the Ecuadorean Government has exhibited such a lively interest, it might be possible to persuade the Minister that the advantages now accorded to France could be extended to the United States under a *modus vivendi* providing for most-favored-nation treatment. It can be anticipated, as pointed out in my despatch under reference, that the conclusion of a *modus vivendi* for the purpose in view will meet with a certain resistance upon the part of the Ecuadorean Government since it has already informally expressed its inability to extend the concessions to us by that means. It may therefore be desirable in the first instance to consider the expediency of proposing a special *modus vivendi* or provisional agreement which would obtain for American exports to Ecuador the same advantages now granted to those of France.

Respectfully yours,

ANTONIO C. GONZALEZ

611.2231/34

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

No. 177

QUITO, November 8, 1935.

[Received November 19.]

SIR: With reference to my despatch No. 161 of October 28, 1935, concerning the preferential tariff at present enjoyed by France on its imports into Ecuador, I have the honor to report that I left yesterday with the Under Secretary for Foreign Affairs a copy of the provisions of the American law authorizing the President, in the event of discrimination by foreign countries, to establish new or additional duties on the products of those countries entering the United States (The Code of the Laws of the United States of America in force January 3, 1935, Title 19, Section 1338). The Under Secretary was not aware of the existence of this authorization and remarked that it appeared to be a violent measure. I pointed out that it was the policy of the United States Government to avail itself of this provision only in case of a palpable discrimination and an indisposition upon the part of the authorities to remove it.

In discussing the situation with the Under Secretary I recognized that trade with France leaves a very favorable balance for Ecuador (exports to France during 1934, 21,117,112 sucres; imports from

France, 2,383,040 sucres). However, I pointed out that the fact must not escape the attention of the Ecuadorean Government that the bulk of its exports during that period was sold to the United States (exports, 48,716,381 sucres, imports, 21,153,826 sucres), and that the balance in favor of Ecuador had been in excess of 27 million sucres. Therefore, it was incumbent upon his Government to take immediate steps to remove the existing discrimination against American products.

The Under Secretary stated that his Government had already indicated its desire to conclude a new Commercial Treaty with the United States and that provision could be made therein to remove the discrimination. In compliance with the Department's instruction No. 52 of September 4, 1935, I expressed our appreciation of this interest and explained our inability to initiate the negotiation of a permanent treaty at this time. I added that his Government should experience no great concern over a delay in concluding a commercial treaty since such delay was not prejudicial to the interests of Ecuador. In this connection I explained that the advantages conceded in our bilateral agreements to other countries, particularly Colombia and Brazil, on exports identical to those of this country, are extended under our most-favored-nation treatment to articles of Ecuador exported to the United States. I cited that the two principal articles in which Ecuador is interested, namely, coffee and cacao, and also bananas and vegetable ivory, have already been the subject of treaty negotiations with Brazil⁷ and/or Colombia,⁸ that the United States has agreed with those countries to maintain these articles on the free list, and that these concessions are extended to Ecuador as and when they become effective for the countries immediately concerned.

In view of the inability to initiate discussion of a definitive Commercial Treaty at this time and in order to remove the discrimination referred to, I submitted for the consideration of the Under Secretary a copy of the communications exchanged between the American Embassy at Santiago, Chile, and the Chilean Government on September 28, 1931, and I suggested that a *modus vivendi* to the same effect would appear to offer a solution of the present problem pending the conclusion of a definitive commercial treaty. I explained that the purpose of this exchange of notes had not been to obtain any special concession for American exports to Chile, but simply to remove discrimination similar to that which is now occurring in Ecuador. The Under Secretary referred to the fact that the French-Ecuadorean *modus vivendi* grants to all French imports a reduction of 30 percent. Under these circumstances, were this same advantage extended to the United States, it would mean that a reduction of 30 percent would be accorded

⁷ See pp. 300 ff.

⁸ See pp. 430 ff

not only on the imports from the United States identical to those imported from France, but also on all other American imports. Therefore, an arrangement on this basis would go far beyond that contemplated in the Chilean-American *modus vivendi* under reference. I admitted that this would be the result but that the underlying cause was the very generous treatment which Ecuador had formally accorded to France, and it was the desire of my Government now to remove the existing discrimination by extending the same concessions to imports from the United States. The Under Secretary stated that he would study the matter and after consultation with the Minister, make a suggestion of an arrangement which would correct the present situation. In this latter connection I feel that if a proposal is not made within a week or ten days, I should be authorized to lodge a formal complaint and insist upon the immediate removal of discrimination.

Respectfully yours,

ANTONIO C. GONZALEZ

611.2231/35a

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

No. 84

WASHINGTON, December 24, 1935.

SIR: Reference is made to your despatches No. 161 and No. 162 of October 28, 1935, and No. 177 of November 8, 1935, in regard to the discrimination against American commerce resulting from the *modus vivendi* of July 9, 1935, between Ecuador and France and the desire of the Government of Ecuador to enter as soon as possible into trade agreement negotiations with the United States.

In view of the situation described in the above-mentioned and earlier despatches, the Department has deemed it advisable to propose a most-favored-nation *modus vivendi* pending the outcome of further discussions concerning the possibility of initiating trade agreement negotiations. There is enclosed for the Legation's information a copy of a note,⁹ addressed to the Ecuadoran Chargé d'Affaires at Washington, presenting such a proposal to the Government of Ecuador.

If you are approached in regard to this proposal, you may point out the advantage to Ecuador of assurances that tariff reductions and bindings of duties and free entry under trade agreements between the United States and other countries will be extended to Ecuador. Appropriate reference may be made to the fact that the United States has extended to Ecuador the tariff benefits resulting from trade agreements already concluded, including those with Haiti¹⁰ and Brazil.

⁹ *Infra.*

¹⁰ See pp. 642 ff.

You may state that your Government would like very much to continue to accord unconditional most-favored-nation treatment to Ecuador, and is therefore concerned, with reference to the carrying out of the provisions of the Trade Agreements Act, about the disadvantages to American trade resulting from the preferences given by Ecuador to France. The provisions of the Act referred to reflect two closely related objectives, namely, the reduction of barriers to international trade and the protection of American commerce against discriminatory tariff treatment. You may say, further, that it is your understanding that the *modus vivendi* has been proposed with a view to placing the commerce of the two countries on a reciprocal most-favored-nation basis pending the opportunity to initiate trade agreement negotiations.

Very truly yours,

For the Secretary of State:
FRANCIS B. SAYRE

611.2231/35b

The Secretary of State to the Ecuadoran Chargé (Cabeza de Vaca)

WASHINGTON, December 26, 1935.

SIR: Reference is made to recent conversations between the American Minister at Quito and various officers of the Ecuadoran Government concerning trade relations between the United States and Ecuador and the desire of your Government to enter into negotiations looking toward the conclusion of a trade agreement.

My Government is, of course, deeply interested in the development to the fullest possible extent of the mutually profitable trade between the United States and Ecuador. By means of trade agreements providing for reciprocal tariff advantages, the Government of the United States is, as you are aware, endeavoring to bring about a substantial reduction of trade barriers with a view not only to expanding the foreign commerce of the United States but also to benefiting all countries by a broad program of trade liberalization.

Negotiations are in progress with ten or more countries and negotiations with several other countries are in prospect in the relatively near future. It is expected that, eventually, trade agreements will be concluded with all countries which are among those of substantial importance in the trade of the United States. However, the schedule of work for the trade agreements organization is so heavy that it does not appear to be practicable to undertake trade agreement negotiations with the Government of Ecuador at this time.

The Government of the United States proposes, however, that negotiations be initiated at once looking toward the conclusion of a

modus vivendi, along the lines of the draft ¹¹ enclosed with this note, which would regularize the commercial relations between the United States and Ecuador, pending the opportunity to conclude a trade agreement involving reciprocal tariff concessions. The proposed *modus vivendi* would assure equality of treatment of the commerce of both countries. This would mean, of course, that each country would be assured the enjoyment of any tariff advantages resulting from autonomous action on the part of the other country or resulting from commercial treaties or agreements between the other country and third countries. In this connection it may be pointed out that under such an agreement Ecuador would be definitely assured, as long as the agreement remained in force, of the continued enjoyment of the benefits of trade agreements concluded by the United States with foreign countries, including Haiti and Brazil. The proposed *modus vivendi* would constitute concrete evidence of the desire of both Governments to give the fullest possible application to the principles of commercial policy enunciated at the Seventh International Conference of American States at Montevideo in December, 1933.

My Government would be very pleased to receive the comment of your Government on this proposal.

Accept [etc.]

For the Secretary of State:
SUMNER WELLES

**EXPRESSION OF CONCERN BY THE UNITED STATES GOVERNMENT
REGARDING ECUADORAN FISHING REGULATIONS PURPORTING TO
EXTEND THE TERRITORIAL WATERS OF ECUADOR BEYOND THE
THREE-MILE LIMIT**

822.628 Seaboy/4

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

No. 23

WASHINGTON, June 1, 1935.

SIR: Reference is made to your despatches No. 8, March 14, 1935, and No. 17, March 27, 1935,¹² concerning the detention by the Ecuadoran authorities at Porto Chico, San Cristobal Island, Galápagos, of the American fishing vessel *Seaboy* and concerning the definition of the territorial waters or marginal seas of Ecuador, and also to despatch No. 4 of March 9, 1935, from the American Consulate General at Guayaquil,¹³ referred to in the prior despatch.

¹¹ Not printed; this draft is identic with the English text of the notes exchanged at Washington, June 12, 1936, Executive Agreement Series No. 93; 49 Stat. 4013.

¹² Neither printed.

¹³ Not printed.

It appears from the Consulate General's despatch that the boat *Seaboy* having entered the Harbor of Porto Chico on San Cristobal Island in the Galápagos Islands with a sick man on board was detained and a fine of \$200 imposed upon the boat for fishing in territorial waters in violation of Ecuadoran fishing regulations. It does not appear from this despatch or from your despatches what was the location of the vessel at the time of the fishing for which this fine was imposed.

In your despatch No. 17 of March 27, 1935, you state that you have received from the Foreign Office a formal note transmitting a copy of the *Registro Oficial*, No. 257 of August 31, 1934, which contains the text of the "Maritime Fishing and Hunting Regulations", promulgated on August 29, 1934. Careful consideration has been given to those articles of these regulations to which you direct the attention of the Department, that is, Articles 77, 78 and 129. It is noted that in Article 129 territorial waters off the coast of Ecuador are apparently defined as extending to a line "six miles away from the coast measured from the line of lowest tide". In Article 77 fishing by foreign vessels is prohibited in accordance with certain provisions contained in the regulations "in territorial waters and adjacent free waters within perimeter of the archipelago". It is not clear from this what waters are intended to be included within the perimeter of the archipelago, but it is clear that the prohibition against fishing extends even beyond territorial waters into certain adjacent free waters. In Article 78 territorial waters for the purpose of fishing zones are declared to be "those comprised within fifteen miles measured from the line of the lowest tide, at the most projecting points of the Islands."

As these regulations extend the zone of the territorial waters far beyond the three-mile limit recognized by a majority of states, and consistently adhered to by the United States, as the zone in which territorial jurisdiction may rightfully be exercised, the Department desires that you present the following note to the Foreign Minister of Ecuador:

"I have the honor to acknowledge the receipt of Your Excellency's note of (insert date, date not given in despatch), transmitting a copy of the *Registro Oficial* No. 257 of August 31, 1934, containing the text of the 'Maritime Fishing and Hunting Regulations' promulgated by the Ecuadoran Government on August 29, 1934. You state that this publication was sent to the Foreign Office by the Minister of War with the request that it be forwarded to the Legation. This publication has been brought to the attention of my Government, and it has given careful consideration to the text of the 'Maritime Fishing and Hunting Regulations' contained therein.

"My Government requests me to express its concern regarding the provisions embodied in certain articles contained in those regulations

purporting to define the limits of the territorial waters off the coast of Ecuador and in the Galápagos Islands, especially to the provisions contained in Articles 77, 78 and 129. It is observed that Article 129 provides that 'fishing in general is free throughout the year . . .¹⁴ provided that it is done outside of the territorial waters, more than six miles away from the coast measured from the line of lowest tide'. This article apparently purports to extend the territorial waters of Ecuador to a distance of six miles from the coast. It is noted further that fishing by foreign vessels in the vicinity of the Galápagos Islands is prohibited in accordance with certain provisions contained in the regulations 'in territorial waters and adjacent free waters within the perimeter of the archipelago'. In Article 78 for the purpose of fishing zones it is declared that 'territorial waters are considered to be those comprised within fifteen miles measured from the line of the lowest tide, at the most projecting points of the Islands'. While the extent of the waters over which Ecuador purports to extend its authority for the purpose of fishing regulations in the vicinity of Galápagos Islands does not appear clearly from the texts of Articles 77 and 78, it does seem to be clear that under Article 78, territorial waters are defined as comprising those within fifteen miles of the Islands, measured from the line of the lowest tide at the most projecting points. My Government desires to point out that the regulations thus set forth in these articles purport to extend the territorial waters of Ecuador in the waters adjacent to the mainland and in the waters surrounding the Galápagos Islands far beyond the three-mile limit recognized by a majority of states as delimiting the waters in which a state may properly exercise its jurisdiction under the rules of international law. My Government has consistently recognized this three-mile limit in its exercise of general jurisdiction, including jurisdiction with regard to fisheries, in the waters surrounding its coasts and cannot admit the right of the Ecuadoran Government to apply its fishing regulations to American vessels beyond the belt of three miles from low water mark.

"I am also instructed by my Government to call to your attention the recent detention of the boat *Seaboy*, a vessel of American registry, upon its entry into the harbor of Porto Chico in San Cristobal Island in the Galápagos Islands to secure medical attention for a member of its crew, and the imposition upon it of a fine of two hundred dollars under instructions from the Minister of War at Quito upon the grounds that it had violated the regulations with regard to fishing in territorial waters. The Legation is not informed as to where the *Seaboy* is charged by the Ecuadoran authorities with having been located at the time of the alleged breach of the fishing regulations. I should, therefore, appreciate being furnished with a statement of the facts concerning the location of the *Seaboy* upon the basis of which this fine was imposed."

Very truly yours,

For the Secretary of State:
SUMNER WELLES

¹⁴ Omission indicated in the original despatch.

822.628 Seaboy/6

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

No. 59

WASHINGTON, October 3, 1935.

SIR: Reference is made to your despatch No. 127 of September 17, 1935,¹⁵ with further reference to the Department's instruction No. 23 of June 1, 1935, relative to the definition of the territorial waters or marginal seas of Ecuador and the detention by the local authorities of the American fishing vessel *Seaboy*, and to your despatch No. 74 of June 18, 1935,¹⁵ with which you transmitted a copy of your note addressed to the Foreign Office in compliance with this instruction.

You state that you have pressed for a reply to your note without success, due to a difference of opinion on the question between the Foreign Office and the Ministry of War. In view of the prospective enforcement of the fishing regulations to be anticipated as a result of the purchase of the yacht *Ara* for this purpose by the Ecuadoran Government, you inquire whether it is the desire of the Department that you press for a reply to the communication in question or that you allow the matter to remain pending.

As you report that the Foreign Office has intimated to you that it is opposed to the extreme views of the Ministry of War in this matter, it is the opinion of the Department that you should allow a reasonable time for the two Ministries to discuss the matter further and to reach an agreement. Unless some incident should arise which, in your opinion, requires immediate action, you should, for the present, allow the matter to remain pending.

Very truly yours,

For the Secretary of State:
WILLIAM PHILLIPS

INTEREST OF THE UNITED STATES IN POSSIBLE INTERNATIONALIZATION OF THE GALÁPAGOS ISLANDS FOR THE PROTECTION OF FAUNA AND FOR STRATEGIC REASONS

822.014G/390a

The Assistant Secretary of State (Moore) to President Roosevelt

WASHINGTON, January 10, 1935.

DEAR MR. PRESIDENT: A few weeks ago there was referred to me for consideration the alleged importance to our Government of Cocos Island and the Galápagos Islands and I have since given the matter consideration.

¹⁵ Not printed.

While it is not probable that in the near future Japan or any other power will seek to acquire any of these islands which we could doubtless claim to be an infringement of the Monroe Doctrine, nevertheless it would seem that if any proper means of doing so can be found it would be well for our Government to obtain ownership or control of all of the islands.

The suggestion that they might be internationalized or neutralized does not impress me as desirable from our point of view. It would probably mean that our Government would have to pay the entire purchase price and then be subject to the will of other governments.

Assuming it to be important that our Government should be placed in position to fortify the islands as well as to make use of certain of the Galápagos group for aircraft landing fields, sooner or later we should obtain exclusive ownership or control by outright purchase or by a long lease.

In answer to the argument that this would stir resentment in Latin America, I have thought if acquisition could be effected under binding agreements that the purchase price should be used in the construction of the proposed Pan American Highway, in which all of the nations south of us are intensely interested, there would be general and enthusiastic approval and Mr. Thomas H. MacDonald, Chief of the Bureau of Public Roads, with whom I have talked very confidentially, is most fully in accord with this view.

I enclose (1) correspondence that has been had with the Navy Department;¹⁶ (2) the data that has been prepared showing the location, condition, et cetera, of the Islands;¹⁶ and (3) as a matter of interest a copy of a treaty negotiated with Ecuador in 1854 but not ratified.¹⁷

No question appears ever to have been raised as to the ownership of the Galápagos Islands by Ecuador, but it is stated that while Costa Rica has been generally recognized as owning the Cocos Island, Colombia has made some claim to ownership.

Secretary Hull has seen this letter.

Yours very sincerely,

R. WALTON MOORE

¹⁶ Not attached to file copy.

¹⁷ Convention regarding the purchase and sale of guano discovered on the Galápagos Islands, signed at Quito, November 20, 1854. For Spanish text, see Ricardo Aranda (ed.), *Colección de los Tratados, Convenciones, Capitulaciones, Armisticios y Otros Actos Diplomáticos y Políticos*, vol. v, pp. 134-139.

822.014G/383½

Memorandum by President Roosevelt to the Assistant Secretary of State (Moore)

WASHINGTON, February 4, 1935.

I hesitate to have the acquisition of Galápagos by the United States discussed even confidentially with the Ecuadorian Government. Such action would undoubtedly become known and, at this time, would create an unfavorable impression.

On the other hand, I wish you would discuss with the Secretary the following:

Approach the Ecuadorian Minister, informally, with the suggestion that because of the extraordinarily interesting flora and fauna of these Islands (unlike any in the world) the Pan American Union should consider the possibility of their being converted from Ecuador sovereignty into a Pan American International Park or wild life area. The Pan American nations could chip in some sum—let us say two or three million dollars—to reimburse Ecuador for the money they have spent there. This amount would more than compensate her! The title would then vest jointly in all the members of the Pan American Union. The Pan American Committee could then maintain the Islands as an International Park—prohibiting all fishing and shooting and all colonization. The Committee would also be responsible for the patrolling of the Islands. The only use to which the Islands could be put, under the agreement, is a commercial air line stopping point—no militarization being allowed. The United States would, of course, bear the major part of the purchase price and the patrol. The total cost would be very small.

Such action would forestall any possibility of sale of, or use by, a hostile power.

In regard to Cocos Island, nothing need be done at this time because it has no Naval or Aviation danger to us under existing development of armaments.

F[RANKLIN] D. R[OOSEVELT]

822.623/3

The British Ambassador (Lindsay) to the Secretary of State

No. 176

His Majesty's Ambassador presents his compliments to the Secretary of State and has the honour to inform him that the Foreign

Office was recently approached by the British Museum in regard to the possibility of establishing some sort of protection, either national or international, for the fauna of the Galápagos Islands. A proposal which has been put forward contemplates the conversion of one or more of the Islands into a nature sanctuary for the preservation of the fauna, which is otherwise certain to disappear as the Islands become more frequently visited; the matter may, indeed, be urgent in view of the increasing number of visitors who go to the Islands for purposes of sport.

As far as His Majesty's Government in the United Kingdom are aware, no international control for the preservation of fauna is at present in existence in any part of the world and they accordingly feel that a new scheme of the kind contemplated could scarcely be put forward without the views of the Ecuadorean Government having first been obtained, especially as concessions for fishing and shooting in the Galápagos Islands are a considerable, and possibly increasing, source of revenue to that Government. Since their own information on the subject tends to confirm the urgent necessity of taking definite steps to preserve the fauna, His Majesty's Government have instructed His Majesty's Chargé d'Affaires at Quito¹⁸ to elicit the views of the Ecuadorean Government on the matter.

At the same time as it is understood that the proposal for some form of protection originated from the Smithsonian Institution in Washington and the American Museum of Natural History in New York, His Majesty's Government would be glad to learn whether the United States Government could see their way to instruct their representative at Quito to associate himself with the inquiry, which his British colleague has been instructed to make.

WASHINGTON, June 21, 1935.

822.014G/378

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

No. 85

QUITO, July 11, 1935.

[Received July 18.]

SIR: I have the honor to report that my British Colleague in Quito has informed me that he is in receipt of instructions from his Government to take up with the Ecuadorean authorities, after consultation and in conjunction with the American Legation, the possibility of internationalizing the Galápagos Islands for the purpose of plant and animal conservation and as a place for scientific study. He added

¹⁸ Cecil C. A. Lee.

that his Foreign Office states that the British Museum, as well as the Smithsonian Institution in Washington, is deeply interested in the project and that the British Embassy has been instructed to consult with the Department as to the feasibility of the scheme. He further stated that he planned to do nothing in the matter until I was in a position to take similar action. I replied that I had no instructions from my Government and that I could take no action, formal or otherwise, pending the receipt of specific instructions. In view of the fact that the British Chargé will await what instructions the Department may care to give me in the matter, I should appreciate it if these instructions were forwarded me as soon as possible.

In connection with this project, it would seem appropriate to point out that a scheme for internationalizing the Islands might meet with favor among a definite group of Ecuadoreans. It is known that they realize the strategic importance of these islands in connection with the defense of the Panama Canal and that they are apprehensive as to possible Japanese movements in and about the Islands (see my strictly confidential despatch No. 69 of June 13, 1935¹⁹). I feel certain that they would definitely oppose any encroachment by the Japanese or any other non-American country. Among a small group of Ecuadoreans, definitely a minority, a feeling exists that the Islands should be controlled by the United States, but this is by no means general and it would be seriously opposed by Ecuador as well as other American countries.

However, another development has recently occurred which might prevent the carrying out of the project in which the British Government has expressed an interest. I refer to the conviction of the authorities that the fishing privileges in and around the Islands offer a possible source of appreciable revenues for the Government (see my despatch No. 63 of May 28, 1935¹⁹). In this connection I might add that the Minister of War, Marine and Aviation has informed me that negotiations are now being concluded in New York for the purchase of the American yacht *Ara*, formerly the property of Mr. William K. Vanderbilt. I understand that this vessel was commissioned in the American Navy during the war at which time gun emplacements were installed. It is the purpose of the Ecuadorean authorities to place small guns on this vessel and employ it as a patrol vessel to prevent illegal fishing in the Islands. This vessel will cost approximately \$75,000 and the authorities have expressed the conviction that the vessel will be paid for in a very short time from revenues obtained from the the fishing rights which will be granted in the Islands. Under these circumstances, should the Department

¹⁹ Not printed.

be interested in cooperating with the British in the project mentioned, I anticipate that some provision would have to be made whereunder the Ecuadorean Government would be allowed to retain its jurisdiction over fishing rights in the Islands.

In this connection, I have the honor to refer to the interview which I had with President Roosevelt in February of this year in which he took the opportunity to express to me some ideas relative to the Galápagos Islands. At the time I informed Mr. Edwin C. Wilson, Chief of the Latin American Division, of the substance of that conversation. I would recall that President Roosevelt suggested the expediency of the internationalization of the Islands by the American States for the preservation of the plant and animal life thereon. If I recall correctly, the President was willing that the United States Government might assume up to one-half of the expenses incidental to the maintenance of the Islands for that purpose. The President definitely had no ideas of acquisition by lease or purchase for the exclusive use of our country, but desired simply to preserve the animal and plant life and to obviate the Islands being utilized by any country in time of war. In view of the active interests which the President exhibited at the time of my interview with him, I feel that it might be expedient to consult him at this time with respect to the proposal made by the British Government.

Respectfully yours,

ANTONIO C. GONZALEZ

822.623/3

The Secretary of State to the British Ambassador (Lindsay)

The Secretary of State presents his compliments to His Excellency the British Ambassador and, referring to Note Verbale No. 176 from the British Embassy, dated June 21, 1935, in regard to a proposal to establish some sort of protection for the fauna of the Galápagos Islands, has the honor to inform him that the Secretary of the Smithsonian Institution reports that, so far as he is informed, the originators of a proposal to protect the fauna of the Galápagos Islands were Dr. Harry S. Swarth,²¹ Dr. Charles K. Townsend,²² Dr. V. M. Egas, formerly Consul of Ecuador in Los Angeles, and the American Committee for International Wild Life Protection. It is believed that the Carnegie Institute of Washington and possibly the American Museum of Natural History in New York also may be interested in the proposal.

²¹ Inspector for birds and mammals, San Francisco, U.S. Biological Survey.

²² Charles H. Townsend, Director, New York Aquarium.

The Government of the United States has interest in every endeavor for the protection of wild life on this hemisphere, and is in sympathy with the efforts that have been made by private individuals and institutions to establish some sort of protection for the fauna of the Galápagos Islands. This Government understands that preliminary legislation by the Ecuadoran Government already has provided regulations to create certain reservations in the Galápagos Islands and to preserve the rare zoological species which exist there.

The Government of the United States is deeply appreciative of the courteous invitation to associate itself with His Britannic Majesty's Government in ascertaining the views of the Government of Ecuador on this subject, but since the efforts made by private individuals and institutions have resulted in action by the Ecuadoran Government looking toward national control, it regrets that it does not deem it advisable to instruct the American Minister at Quito to address an inquiry to the Ecuadoran Government regarding international control for the preservation of the fauna of the Galápagos Islands.

WASHINGTON, July 20, 1935.

822.623/6

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

No. 44

WASHINGTON, July 22, 1935.

SIR: Referring to your strictly confidential despatch No. 85, dated July 11, 1935 (File No. 862.3—801.45—714), there are transmitted for your information copies of a note received from the British Ambassador in Washington,²³ and of the Department's reply thereto,^{23a} regarding a proposal for the protection for the fauna of the Galápagos Islands. The preliminary legislation by the Ecuadoran Government referred to in the Department's reply is the Executive Decree of August 31, 1934, ("Poder, Ejecutivo, No. 807 [607], Parte Tercera"^{23b}), which the Department understands was published to establish regulations for the protection of the fauna of the Galápagos Islands.

When a suitable occasion presents itself, you are requested to express informally to the Ecuadoran Minister for Foreign Affairs the sympathetic interest of the Government of the United States in the protection of wild life on this hemisphere, and in the endeavors of private individuals and institutions directed toward securing such protection for the fauna of the Galápagos Islands. You may add that your Government has noted with pleasure that the Ecuadoran Government

²³ June 21, p. 519.

^{23a} July 20, *supra*.

^{23b} *Registro Oficial*, August 31, 1934, p. 9.

already has taken action by the publication of the Executive Decree establishing regulations as concerns the fauna of the Galápagos Islands, and that it hopes that this and other measures may result in effective protection for the zoological life which is of so much interest to scientific and conservation agencies throughout the world.

Very truly yours,

For the Secretary of State:
SUMNER WELLES

822.623/7

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

No. 97

QUITO, August 8, 1935.
[Received August 15.]

SIR: I have the honor to refer to the Department's instruction No. 44 of July 22, 1935 (file No. 822.623/1 [6]), concerning a proposal made by the British Government, in which the cooperation of the American Government was sought, for obtaining protection for the fauna of the Galápagos Islands. I have noted carefully the copies of the correspondence exchanged between the Department and the British Embassy in Washington, as well as the informal statement which it is desired that I make to the Minister for Foreign Affairs when a suitable occasion presents itself.

Immediately upon receipt of the Department's instruction under acknowledgment, I informed my British colleague that while my Government is interested in every endeavor for the protection of wild life on this hemisphere and is in sympathy with the efforts made by private individuals and institutions to establish protection for the fauna of the Galápagos Islands, it does not deem it advisable, in view of the preliminary legislation by the Ecuadorean Government on this subject, to approach it regarding international control for the preservation of the fauna. I added that on a suitable occasion I would express informally to the Minister the sympathetic interest of my Government in the protection of wild life on this hemisphere and in the endeavor of private individuals and institutions to obtain such protection for the fauna of the Galápagos, and the hope that the measure already taken by the Ecuadorean authorities and other measures to that end, may result in effective protection for the wild life of those islands.

My British colleague considered that the instructions from his Government necessitated his making a formal inquiry to the Foreign Office in order to elicit its views on the subject. I enclose for the information of the Department a copy of the note which Mr. Lee addressed

yesterday to the Ecuadorean Government.²⁴ It will be observed, however, that he has limited his inquiry to eliciting the views of the Government upon the possibility of converting one or more of the islands into a nature sanctuary, under the supervision of the Government of Ecuador, for the preservation of the fauna of the Galápagos.

Mr. Lee has offered to acquaint me with whatever reaction to his inquiry which he may receive from the authorities, and I shall not fail to communicate this information to the Department, as well as the substance of the Foreign Minister's remarks to the oral statement which I have been instructed to make.

Respectfully yours,

ANTONIO C. GONZALEZ

822.623/9

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

No. 125

QUITO, September 16, 1935.

[Received September 26.]

SIR: I have the honor to refer to my despatch No. 97 August 8, 1935, with which I transmitted a copy of the note addressed to the Ecuadorean Foreign Office by the British Chargé d'Affaires in Quito. It will be recalled that the communication in question endeavored to elicit the views of the Government of Ecuador relative to the conversion of one or more of the islands into a nature sanctuary under the supervision of that Government for the preservation of the fauna of the Galápagos Islands.

Under date of September 11, 1935, the Foreign Office replied and I enclose herewith for the Department's information a translation of the Note made by the British Legation.²⁴ It will be observed that it is the intention of the Government to dedicate one of the islands as a natural history museum with the object of preserving the fauna and, if possible, to establish natural and artificial biological laboratories in the form of international scientific stations. The note concludes with the statement that the Ecuadorean Government would welcome suggestions and particulars on the subject which the Department of Natural History of the British Museum might wish to formulate.

In view of the friendly attitude taken by the Government towards the proposed conversion of one of the islands into a nature sanctuary and the establishment of international scientific stations, the door would now appear to be open for American scientific institutions interested in the preservation of the fauna of the Galápagos to discuss

²⁴ Not printed.

with their British colleagues ways and means for achieving the purpose in view to the end that they may be in accord on the suggestions and recommendations which may be submitted to the Government.

The British Chargé informs me further that in transmitting the reply to his Government, he has pointed out that it should be borne in mind that very little, if any, financial contribution for the purpose in view can be expected from the local authorities, and that, therefore, in formulating any suggestions on the subject, this point should be fully covered.

In view of recent political developments and that the portfolio of Foreign Affairs was vacant for three weeks, a suitable occasion has not presented itself to communicate to the Minister the oral statement directed in the Department's instruction No. 44 of July 22, 1935. However, I expect that I shall have an opportunity during the course of the present week to converse with the new Minister for Foreign Affairs²⁵ when I shall bring up the question of our sympathetic interest in the protection of wild life on this hemisphere and in the endeavors of private institutions directed toward securing such protection for the fauna of the Galápagos Islands.

Respectfully yours,

ANTONIO C. GONZALEZ

822.623/10

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

No. 133

QUITO, September 19, 1935.

[Received September 26.]

SIR: I have the honor to report that in an interview with the Minister for Foreign Affairs today, I informally expressed the substance of the Department's instruction No. 44 of July 22, 1935, relative to the interest on the part of the United States in the preservation of the animal and plant life of the Galápagos Islands.

The Minister responded by stating that he is very much interested in the subject as he has made a special study thereof; that in his opinion it would be a splendid idea if a park could be established on the Galápagos Islands in which all of the Latin American republics and even perhaps the United States would enter, for a study of the bird and animal life, because he believed that the Latin American countries, as well as the United States, should have a common understanding in matters which affect this hemisphere. I stated that it seemed to me to be a splendid idea and that, perhaps, the United States might be willing to enter into such a scientific project. General Chiriboga stated that it would not take very much money annually to support such

²⁵ A. I. Chiriboga.

a project and that he was going to discuss the matter with several of his friends in the Congress.

He stated that when he was in Europe he made a special study of the political conditions prevailing there and he felt that, should a conflict begin in Europe, it would be very inexpedient for any European government to have any interest, either scientific or in any other manner with relation to the Galápagos Islands; that during the World War, Japanese and German ships used the Galápagos as a base unknown to the Ecuadorean Government; and that should a conflict arise in Europe now, it was quite possible that Japan might become active again with its many interests in South America and try to take possession of the Islands. He stated that the strategic position of the Islands was such as to be very valuable for a naval or air base for any of the larger powers in Europe, should all of the nations of the world finally have to enter into the conflict; that the Panama Canal was in his opinion one of the greatest safeguards to all of the Latin American Republics, and that he was pleased to note that the United States was contemplating the building of the Nicaraguan Canal, so that in case of an emergency or if anything happened to the Panama Canal, there would still be another outlet. He stated that he was going to discuss the matter further and would let me know the result.

Respectfully yours,

ANTONIO C. GONZALEZ

REVOLUTION IN ECUADOR

822.00/1110

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

No. 98

Quito, August 8, 1935.
[Received August 15.]

SIR: With reference to my despatch No. 93 of August 2, 1935,²⁶ concerning the internal political situation in Ecuador, I have the honor to report that although Congress will convene in two days more, the outlook continues uncertain and it is still impossible to forecast what may occur when that body meets. The supply of rumors in Quito seems inexhaustible, but invariably when they are analyzed it is clear that they have been fabricated from little if any truth. Moreover, the more astute political observers, and even the most active leaders, are unwilling to risk an assertion as to what action either the President²⁷ or Congress may take. Two motives appear to be responsible for this attitude, first, uncertainty as to developments, and second, an inherent desire to be on the right side of the fence.

²⁶ Not printed.

²⁷ José Velasco Ibarra.

However, the President in an interview published in *El Dia* of August 4th has thrown some light on the situation. As concerns the opposition in Congress he admits that his information is to the effect that Congress is not sympathetic with him and that a terrible and destructive opposition will be fomented against him. He expresses the possibility, notwithstanding, that faced with the practical reality of life, the members of the legislative body may be conscientious in their action and may wish to be the spiritual leaders of the country at this moment of profound crisis and great intranquility. It is not believed that the President would be very disillusioned if Congress were not actuated by these high motives.

With regard to the rumor that he intended to present his resignation to Congress, the President stated that he had considered taking this step in order to avoid any bloodshed, and that he had actually discussed the expediency of such action with a well-known Liberal. He had planned to withdraw as President imposing the following conditions: First, that his successor would be a Liberal, but not a member of that Party, so that the conservatives might not become alarmed; second, respect for the freedom of election; and third, that he be permitted to go abroad immediately. He added, however, that the circumstances have changed. "My intentions were not understood and comments were made respecting my possible resignation which could affect my honor. Now, I shall not resign. I cannot resign. I must satisfy the Ecuadorean people."

In reply to an inquiry whether he would resign if Congress petitioned him to do so, the President stated that if Congress had understood his ideals, and had not threatened him, he would have done so gladly. Unfortunately, he believes, the threats, aversions and personal hatreds against him have caused excitation in the people, and now in order to resign, he must have convincing manifestations from the people that they desire his separation.

At this point the reporter questioned the President concerning the report that some fifty thousand people were to be brought into Quito while Congress was in session for the ostensible purpose of intimidating that body. He replied that he had recently received visits from workmen in Riobamba and Ambato who had expressed a desire to live in Quito during the session of Congress in order to sustain the Government. More, he did not know.

Questioned further as to what attitude he would adopt in case the masses should attack the legislators, he stated that the police had received categorical instructions to maintain complete order. In reply to the inquiry whether, if the police force were insufficient to maintain order,—and it is notably inadequate,—he would send the Army in response to the request of Congress, the President evinced considerable annoyance. He stated that police duty is not the normal

occupation of the armed forces, nor should their military point of view be disturbed by listening to incendiary speeches and insults against the Commander-in-Chief of the Army, who is the President of the Republic. He further showed his pique by adding that he, and no other person, would determine whether the Army should mount guard in Congress, that "Congress is not omnipotent; it cannot order whatever may occur to it; its powers are limited by Article 49 of the Constitution."

It would appear from the statements made by the President in the interview that he recognizes fully that Congress, if it can muster the necessary majority, proposes to impeach him. On the other hand, it is indicated that the President does not intend to allow such a situation to develop without availing himself of every means of defense. It is this very situation which preoccupies the opposition most. They realize that Dr. Velasco Ibarra is a strong and determined fighter and that, should he become obsessed with the idea that it is a contest between the people and the politicians, they are uncertain as to what extremes he might resort to maintain himself in power. It is not believed that the point at issue is considered so important by the opposition that they would risk a situation developing to that point, but nevertheless, it is the fear which is most voiced.

Another persistent rumor which deserves mentioning is the possibility of a military dictatorship which would call a constituent assembly to modify the present Political Constitution. While this rumor must necessarily be severely discounted, it does voice a seemingly general desire of the more intelligent people of the country. Both members of the Government and of the opposition express dissatisfaction and even disgust with the present political system which permits without serious cause the impeachment of the President. The desire to correct this situation is apparently general. The rumor has it that the movement would be headed by Colonel Ricardo Astudillo, Minister of War, Colonel Carlos Flores Guerra, (retired), and Colón Eloy Alfaro, Minister to Colombia. These three men effectively control the whole Army and appear to be on the most friendly terms with the President. It is said that they, with the acquiescence of Dr. Velasco, would take over power, convoke a constituent assembly and once the Constitution is modified, call new elections. I would repeat that this rumor does not appear to be sufficiently well-founded and that the resultant situation would be too serious and delicate to be contemplated without more mature consideration. Nevertheless, the motives and objectives assigned to the movement do represent a profound desire of the Ecuadorean people which cannot be indefinitely postponed.

In view of the categorical denial of the President that he intends to resign, it is not expected that an important development will take

place before several days after the first meeting of Congress. Some indication of the course of events will be given in the election of the President of the Senate. If Dr. Carlos Arroyo del Río, President of the Liberal Party, is selected, this must be interpreted that the combined Liberal and Left Group is doubtlessly in control, in which event it can be anticipated that steps will be taken immediately by the opposition to impose its conditions. However, it is felt that although the opposition may control Congress and could, if it wishes, muster sufficient votes to impeach Dr. Velasco, the feeling is very strong in Ecuador that the President has accomplished much for the country under adverse circumstances, that he has the solid backing of the masses, and that the country could fare much worse. Consequently, some political observers believe that if the opposition is in control it will endeavor carefully to prepare public opinion before launching the momentous question of the impeachment of the President of the Republic.

Respectfully yours,

ANTONIO C. GONZALEZ

822.00/1112 : Telegram

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

QUITO, August 20, 1935—noon.

[Received August 21—10:43 p.m.]

40. In view of mob violence against opposition members of the Senate, failure of the Executive to afford adequate police protection and refusal of the Minister of War to use the Army for that purpose, the Senate majority last night resolved that it will not attend further sessions.

The President this morning issued a decree which declared this action unconstitutional and provides the following:

- (1st) the convocation of a constitutional assembly for October 12th;
- (2d) the election of assemblymen by direct vote September 15th in conformity with electoral decree to be issued immediately;
- (3d) constitutional assembly after promulgating new constitution to designate new President;
- (4th) political constitution of 1906 declared in force until October 12th.

Leaders of the opposition are being arrested and imprisoned.

While the action taken by the President is obviously unconstitutional it appears to give expression to the profound desire of the more rational people to remedy the untenable political system reported on page 5 of my despatch 98, August 8th.

GONZALEZ

822.00/1111 : Telegram

The Consul General at Guayaquil (McDonough) to the Secretary of State

GUAYAQUIL, August 20, 1935—5 p.m.

[Received 8:18 p.m.]

Attempted dictatorship by the President Velasco Ibarra early this morning presumably failed and Acting Governor here, Victor Janer, states that he is imprisoned, telegraph communication is cut off with Quito and further developments not known here. Guayaquil is without disorder but Governor and Chief of Police have been imprisoned this afternoon by order of the Commander of the Military Zone Colonel Andrade who has stated that Army is supporting constitution against dictatorship. Acting Governor is legal constitutional authority as municipal councilor. About 25 prominent citizens were arrested this morning by the police under the President's orders but all now have been released by the Commander of the Military Zone and Acting Governor.

McDONOUGH

822.00/1114 : Telegram

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

QUITO, August 20, 1935—8 p.m.

[Received August 22—1:26 a.m.]

41. In view of inability to communicate by telegraph I sent the Department the following factual message by wireless in clear.

"Opposition majority in Senate resolved last night not to attend further sessions in view of lack of adequate police protection. President counteracted this morning by arresting President of the Senate and leaders of opposition and issuing a decree to convoke Constitutional Assembly in October. This action has been interpreted by armed forces as virtual establishment of dictatorship and unconstitutional. Accordingly they withdrew support and demanded resignation of President. It now appears that Army has arrested President, has released opposition leaders, and has taken over control in Quito and Guayaquil. Armed forces appear united and supported by police. General Staff has declared that its policy is solely to maintain and support Constitution and that it will turn over power temporarily to duly selected man enjoying general public confidence. Intense excitement but no serious disorders or casualties have as yet occurred. Situation obscured and uncertain."

Not accepted last night; filed August 21, 10 a.m.

GONZALEZ

822.00/1113 : Telegram

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

QUITO, August 21, 1935—11 a.m.

[Received 11:52 p.m.]

42. It is obvious that the armed forces have been actuated solely by sense of duty to support and maintain the Constitution and that they are endeavoring to have all proceedings in conformity with the succession outlined therein. On the grounds that Antonio Pons, the last Minister of Government, had no knowledge of the intention of the President to become dictator and that he is the constitutional successor, the Army decided this morning that he would assume power as Acting President. Congress met this morning, accepted resignation of President and approved Pons as Acting President.

GONZALEZ

822.00/1116 : Telegram

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

QUITO, August 23, 1935—6 p.m.

[Received 11:53 p.m.]

43. Referring to my telegram No. 42, Aug. 21, 11 a.m. Designation of Pons had met with considerable opposition from the liberal radical groups. This and the bitter disappointment of the Liberal Party that the movement gained it no apparent advantage in the forthcoming elections and that the strength of the Velaquista group has not been materially affected, have been disturbing factors. However this afternoon the situation is somewhat more settled, the armed forces seem more united and there is less likelihood of a military dictatorship. Considerable difficulty is being experienced in forming a Cabinet only half of which has been appointed.

GONZALEZ

822.00 Revolutions/68 : Telegram

The Consul General at Guayaquil (McDonough) to the Secretary of State

GUAYAQUIL, September 26, 1935—10 p.m.

[Received September 27—1:05 a. m.]

An apparently successful revolutionary movement by the Ecuadoran Army headed by Colonel Benigno Andrade, Inspector General of the Army, occurred at 6:30 p.m. today at Quito. The Army have declared a dictatorship dissolving Congress and have appointed Engineer

Federico Paez, who has been Minister of Public Works, Provisional President. Local troops are supporting the movement. Guayaquil is fairly quiet.

McDONOUGH

822.00 Revolutions/69 : Telegram

The Consul General at Guayaquil (McDonough) to the Secretary of State

GUAYAQUIL, September 27, 1935—10 a.m.

[Received 12:40 p.m.]

Referring to my telegram of last night, the Guayaquil troops later declared against the military movement at Quito. This was because of the attitude of the soldiers and junior officers. Sentiment Guayaquil and coast said to be against dictatorship. Situation is uncertain and somewhat disturbing especially on account of disagreement between the garrisons at Quito and Guayaquil. All quiet here this morning but political demonstrations are expected tonight. Expressions of my opinions are confidential. Telegraphic communication is cut off and railway communications are cut off with Quito.

McDONOUGH

822.00 Revolutions/70 : Telegram

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

QUITO, September 28, 1935—noon.

[Received 12:33 p.m.]

45. In view of certain election of conservative candidate the President and the entire Cabinet resigned yesterday. The armed forces took over and delegated the power to Federico Paez. Constitution of 1906 substituted in so far as it does not conflict with reforms contemplated. Paez a Socialist has announced intention to initiate immediately downright social reforms. Congress unofficially informed that it has been dissolved.

Since the government established is a *de facto* military dictatorship the question of recognition arises. Majority of armed forces excepting Guayaquil appear favorable but dissension is growing. Left bloc is not satisfied and is advocating designation of Larrea Alba²⁸ as dictator. Conservatives are intransigent and are preparing opposition. Attitude of Guayaquil is serious in view of Larrea's arrival there tomorrow. Potentialities of situation are extremely disquieting.

GONZALEZ

²⁸ Col. Luis Larrea Alba, deported in February 1935 by order of President Velasco Ibarra.

822.00 Revolutions/71 : Telegram

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

QUITO, September 29, 1935—4 p.m.
[Received September 30—12:15 p.m.]

46. Supplementing my telegram No. 45, September 27, noon, the position of the *de facto* government now appears to be consolidated. Armed forces in Guayaquil have withdrawn opposition to the movement in view of energetic action adopted by Quito leaders in sending troops. Trusted officers have been placed in key positions on the coast and recalcitrant commissioned and noncommissioned officers are being transferred inland. Government and armed forces are indicating determination to act with energy and to consummate the movement. Liberal Radical Party is actively supporting the authorities. The attitude of the extreme left is not yet determined but it is believed that it will not be antagonistic. Arrival of Larrea Alba did not elicit popular demonstration expected.

Paez has issued manifests setting forth that regime will remain in power only for the period necessary to formulate and approve a new constitution and that meanwhile he will take measures necessary to remove political anxiety and to solve important problems. Details of his program have not yet been revealed but it is anticipated that a special commission will be appointed to draft the constitution and then within 60 to 90 days a constitutional assembly will be appointed or elected.

The uncertain factor is the attitude which the Conservative Party may adopt. The establishment of the military dictatorship was effected primarily to prevent the certain election of a conservative. The deportation of its two principal leaders was obviously intended to weaken its opposition. Moreover it is reported that the constitutional reforms contemplated are aimed directly to undermine its voting strength and that it will not be accorded appropriate representation in the assembly. The consensus of opinion is that the party is not now militant and that it will probably await developments.

GONZALEZ

822.00 Revolutions/72 : Telegram

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

WASHINGTON, October 1, 1935—6 p.m.

22. Your 45, September 28, noon, and 46, September 29, 4 p.m. Could it be maintained that Paez, who is understood to have been Minister of Public Works in the cabinet of ex-President Pons, suc-

ceeded to the presidency in accordance with the provisions of Article 79 of the Constitution of March 26, 1929?²⁹ Cable your comments.

Also, advise Department of any specific information relating to the "downright social reforms" which, as reported in your 45, Paez has announced his intention to initiate immediately.

Have you as yet received any official communication from the Minister of Foreign Affairs of the Paez Government announcing its assumption of power?

HULL

822 :00 Revolutions/73 : Telegram

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

QUITO, October 2, 1935—9 p.m.

[Received October 3—10:13 a.m.]

47. Department's telegram No. 22, October 1, 6 p.m. It was generally recognized that the elections would have decided nothing; also that the desired revision of the constitution could be effected only under a military dictatorship. However, respect for the constitution was so strongly instilled that the armed forces were unable to take the initiative therefore Pons with the concurrence of the liberals and high Army officers conceived the astute move of accepting the resignation of his Cabinet, resigning himself and leaving the Presidency vacant without constitutional succession. Faced with a *fait accompli* the armed forces assumed the supreme power and delegated it to Paez. In abolishing the 1929 Constitution the present regime *ipso facto* dispelled any semblance of constitutionality.

I have just received an official communication from Chiriboga who has been reappointed Minister for Foreign Affairs. He states that by virtue of the "political military movement of September 26th" the Pons government ceased and the Army assumed the supreme power delegating it to Paez. After listing the Cabinet he adds that

"the absolutely pacific change effected, the tranquillity enjoyed by the country from the first moment, the general satisfaction felt by the people are proofs that the present state of affairs has the primary condition of the desire of the people as well as that the movement of the 26th has had for its objective, impelled by public opinion, to proceed quickly with the revision of the political constitution of Ecuador. The present government therefore finds itself firmly constituted.

In informing Your Excellency of this matter I have the honor to state that my Government fervently desires to continue cultivating

²⁹ *Constitución Política de la República del Ecuador dictada por la Asamblea Nacional Constituyente de 1928-29* (Quito, 1929), p. 30.

the good relations of friendship which until now it has maintained with the Government of the noble nation which Your Excellency so worthily represents."

Paez has decided that his government will be in line with the liberal radical platform. Details of his social program have not yet been revealed but it is now indicated that they will not be drastic.

The present administration apparently is firmly established. Stability will depend upon opposition of the Conservatives which is negligible for the moment. However, it can be easily intensified to the point of endangering stability, (1), if not accorded an appropriate voice in the revision of the constitution and, (2), if the measures taken are inimical to their interests. My colleagues consider that the regime is fairly stable but the Peruvian and Colombian Ministers have not yet recommended recognition.

GONZALEZ

822.01/73b : Telegram

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

WASHINGTON, October 8, 1935—noon.

23. Your 47, October 2, 9 p. m. In view of your report that the present administration apparently is firmly established, and in view of the note which you have received from the Minister for Foreign Affairs, which we assume is to be taken as an expression of the intention of the present Ecuadoran Government to fulfill its international obligations, you will please, after confirmation (which may be oral) by the Foreign Minister of the above-mentioned assumption, address a note to the Foreign Minister, in reply to his communication, stating that your Government will be happy to continue the cordial relations which it has maintained with the Government of Ecuador.

HULL

822.00 Revolutions/74 : Telegram

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

QUITO, October 8, 1935—5 p.m.

[Received October 9—10:30 a.m.]

50. Chile and Mexico have recognized new Ecuadorian Government and Peruvian Minister advises his Government and Colombia are doing so today. Insinuations prevail as to delay of United States in recognizing.

Government has now openly stated that it will cooperate with the Socialists. Socialists appointed Ministers of Social Prevision

and Education and 180 Socialists have been appointed to important provincial posts.

The partial exchange control has been abolished by decree and money now on deposit in Ecuadorian banks is to be at disposal of foreign creditors in sucres instead of dollars as previously provided.

GONZALEZ

822.01/76 : Telegram

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

QUITO, October 10, 1935—noon.

[Received October 11—1:27 a.m.]

51. Your 23, October 8, noon. Foreign Minister confirms desire of present Ecuadoran Government to fulfill all of its international obligations and following note personally delivered:

"I have the honor Your Excellency to refer to your note of October 1, 1935,³⁰ and I am pleased to advise that in view of the fact that the present Ecuadoran Government is desirous of maintaining an orderly administration of the country and of scrupulously observing all international obligations that I have been instructed to say that the Government of the United States is happy to continue the cordial relations which it has heretofore maintained with your Government and extends from this date full recognition to the *de facto* Government of Ecuador."

Foreign Minister verbally expressed satisfaction over recognition extended. Great Britain and France are following our lead. Brazil recognized yesterday.

GONZALEZ

822.01/76 : Telegram

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

WASHINGTON, October 11, 1935—7 p.m.

27. Your 51, October 10, noon. The Department regrets that in your note to the Foreign Minister you departed from the specific phraseology contained in the Department's telegraphic instruction No. 23, October 8, noon. In particular, the unnecessary introduction of the phrase "*de facto*" obviously may prove embarrassing, if the text of the note becomes known, in Ecuadoran-Peruvian relations.

However, since the note has been delivered please do not attempt to withdraw or modify the note in any manner.

HULL

³⁰ See telegram No. 47, October 2, from the Minister in Ecuador, p. 535.

822.01/78 : Telegram

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

QUITTO, October 12, 1935—noon.
[Received October 13—10:05 a.m.]

52. Your 27, October 11, 7 p.m. When the note to the Minister of Foreign Affairs was prepared your 23, October 8, noon, was consulted and it was interpreted that as the Ecuadorean Government was firmly established, confirmation should be had as to intention to fulfill international obligations, after which recognition should be granted and cordial relations continued.

My note included the exact phraseology used in the last three lines of your cable instruction with the exception of inserting "*de facto*". As no words were indicated for quotation in the Department's cable instruction, the note of August 14 [13], 1928,³¹ drafted by the Department was consulted as to form and there the words "*de jure*" were found and since the present Government is a military dictatorship "*de facto*" was substituted. Regret that my form of note was not referred to the Department for approval before presentation and after confirmation of intention to carry out international obligations. That full recognition was intended to be granted by the Department to present form of Government was implied, particularly since the Department employed expression "continue the cordial relations" and did not specify that this continuation constituted anything less than full recognition of the present form of Government. Instructions contained in your 27, October 11, 7 p.m., will be complied with.

GONZALEZ

822.01/78 : Telegram

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

WASHINGTON, October 15, 1935—noon.

28. Your 52, October 12, noon. The Department considers that the wording "your Government will be happy to continue the cordial relations which it has maintained with the Government of Ecuador" of its telegram 23, October 8, noon, clearly signifies full recognition of the present Government, without the additional phrase included in your note. The purpose of this telegram is solely to remove any possible doubt you may have regarding recognition. The Department considers that full recognition has been extended.

HULL

³¹ *Foreign Relations*, 1928, vol. II, p. 742.

EL SALVADOR

NEGOTIATIONS RESPECTING A RECIPROCAL TRADE AGREEMENT BETWEEN THE UNITED STATES AND EL SALVADOR¹

611.1631/107a

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

No. 78

WASHINGTON, February 15, 1935.

SIR: With reference to previous correspondence on the proposed trade agreement between the United States and El Salvador, I am enclosing two copies of the Standard General Provisions² which, it is contemplated, the United States will propose for inclusion in the various trade agreements it is negotiating. These are supplied you for your own information, since it is not planned to present these to the Government to which you are accredited until studies have been completed on the concessions and assurances which this Government will seek in connection with the Agreement.

The Department would appreciate, however, any suggestions you may make with regard to these provisions. You should also indicate whether, in your opinion, it will expedite consideration of the Agreement if an informal Spanish translation of these provisions is furnished the Government to which you are accredited. Such a translation has been made in the Department, and will be supplied you later, if you so request.

Very truly yours,

For the Secretary of State:
FRANCIS B. SAYRE

611.1631/109a

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

No. 91

WASHINGTON, March 27, 1935.

SIR: I am transmitting herewith one copy of a confidential report on the "Foreign Trade of El Salvador with Special Reference to Schedule II",³ prepared by the tariff representative on the Country Committee on Trade Agreements with Central America.

¹ For previous correspondence, see *Foreign Relations*, 1934, vol. v, pp. 257 ff.

² Vol. I, p. 541.

³ Not printed.

The one recommendation made in the report to the effect that the duty in the United States on Peru balsam be reduced from 10 percent to 5 percent ad valorem has been approved by the Trade Agreements Committee. This concession, together with the binding on the free list of coffee and henequen, can be offered El Salvador in return for the list of concessions and assurances (Schedule I) which will very shortly be transmitted to you. There are apparently no other concessions or assurances of value to El Salvador which this Government can grant at this time, although it will be possible, as is being done in the trade agreement with Haiti ⁴ to give assurance in the body of the agreement that as long as the quota provisions of the Act "to include sugar beets and sugar cane as basic agricultural commodities under the Agricultural Adjustment Act,⁵ and for other purposes," approved by the President of the United States of America on May 9, 1934,⁶ are operative, any sugar imported into the United States of America from the Republic of El Salvador with respect to which a drawback of duty is allowed, under the provisions of Section 313 of the Tariff Act of 1930,⁷ shall not be charged against the quota established by the Secretary of Agriculture of the United States of America for the Republic of El Salvador.

There is no objection to your communicating at your discretion this information to the Salvadoran Government. It is suggested, however, that it may be advisable to defer doing so until such time as the Salvadoran Government itself raises the question with you as to what concessions and assurances the United States is prepared to grant in return for the concessions we propose to request.

Very truly yours,

For the Secretary of State:
FRANCIS B. SAYRE

611.1631/110b

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

No. 93

WASHINGTON, March 30, 1935.

SIR: I am transmitting herewith for your confidential information one copy of the mimeographed report on Schedule I—El Salvador,⁸ presented by the Country Committee on Trade Agreements with Central America to the Trade Agreements Committee, and approved by the latter, with the changes noted in the text of the report.

⁴ See pp. 642 ff.

⁵ Approved May 12, 1933; 48 Stat. 31.

⁶ 48 Stat. 670.

⁷ 46 Stat. 590, 693.

⁸ Not found in Department files.

This report gives the factual background of the concessions and assurances which the United States is seeking from El Salvador in connection with the proposed Trade Agreement between the two countries. The confidential information contained in the report on possible recessions from our original requests is of course solely for your own information, since any departures from Schedule I as presented to the Salvadoran Government will have to be considered and acted on by the various committees and officials of this and the other Government Departments associated in the Trade Agreements program. There is naturally no objection to your using freely any of the purely factual information to clarify any doubtful points that the Salvadoran Government may bring to your attention, keeping the Department, however, closely advised.

Very truly yours,

For the Secretary of State:
FRANCIS B. SAYRE

611.1681/110d

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

No. 99

WASHINGTON, April 6, 1935.

SIR: I am transmitting herewith a list of concessions and assurances^o which the United States desires to obtain from El Salvador in connection with the proposed Trade Agreement between the two countries. This list is known as Schedule I.

Please present this list to the Salvadoran Government, together with an *aide-mémoire*, the text of which is enclosed herewith.

Under cover of a separate instruction, which left by pouch on March 30, 1935, I transmitted one copy of the mimeographed report on Schedule I prepared by the Country Committee on Trade Agreements with Central America. The changes made in this report during the course of its examination by the Trade Agreements Committee have been noted therein, and a supplemental report on textile recommendations has been included, substantially modifying and limiting the recommendations contained in the report transmitted to you by the Department's instruction No. 90 of March 26, 1935.^o

Your attention is invited to the several points discussed in the *aide-mémoire* attached hereto.

I believe that you will be in a position, after a study of the various reports that have been sent you, to clear up any question which the Salvadoran Government may raise in regard to the Agreement in its present phase.

^o Not printed.

You are requested to keep the Department informed of all developments in connection with the Agreement and to transmit promptly any counterproposals or suggestions made by the Salvadoran Government in order that they may be studied and acted on by those officials charged with the execution of the trade agreements program.

Very truly yours,

For the Secretary of State:
FRANCIS B. SAYRE

[Enclosure]

*Draft "Aide-Mémoire" To Be Presented to the Salvadoran Ministry
for Foreign Affairs by the American Legation*

Attached to this memorandum is a Schedule listing under three categories concessions and assurances on certain commodities exported by the United States to El Salvador which the United States is requesting of the Government of El Salvador in connection with the proposed Trade Agreement between the two countries.

Included under category (a) are the reductions in import duty sought by the United States on certain specified commodities; under (b) is included a list of items on which it is requested that the Salvadoran Government not raise the import duty during the life of the proposed Agreement; while under (c) four miscellaneous requests are made, concerning, in the order they are named, the treatment requested by the United States in connection with pharmaceutical specialties and patent medicines exported to El Salvador (Notes 1 and 2), integration of the import duties on wheat and wheat flour (Note 3), and the abolition of the present internal taxes on imported wheat and on flour made of imported wheat (Note 4).

In describing the articles on the attached Schedule, every effort has been exerted to conform as closely as possible with the nomenclature used in the Salvadoran customs tariff. In many cases, however, the nomenclature of the Salvadoran customs tariff and that given under the column "Description of Articles" differ, because the concession sought by the United States is more restricted in scope than the language used in the corresponding item of the Salvadoran customs tariff. It is therefore pointed out that the tariff item numbers inserted in the attached Schedule have been cited principally for the convenience of the Salvadoran Government. The description of the articles given controls the scope of the concession or assurance in question.

In those cases where exports from the United States to El Salvador receive the benefit of a lower, conventional rate by virtue of generalization to the United States of the concessions made by El Salvador to France and Italy in commercial treaties with those nations, the

conventional rates of duty have been indicated on the attached list under the column "Present actual duty in United States dollars." These rates have been used instead of the respective nominal rates given in the Salvadoran customs tariff and which presumably apply, subject to the effects of the triple-column tariff law now in effect, to nations with which El Salvador does not have most-favored-nation commitments.

With regard to item No. 212-1-07-001, wheat: the present duty, as indicated on the attached list, is \$8.80 per 100 gross kilos. The Government of the United States, in requesting a rate on wheat exported to El Salvador of \$2.50 per 100 gross kilos, understands that this is the duty actually in effect at the present time for Salvadoran wheat importers and millers. This request, therefore, is not considered a request for a concession, but as an assurance that the actual rate of \$2.50 will apply to wheat exported from the United States to El Salvador during the life of the Agreement.

In no case has a preferential tariff rate been requested for products of the United States as compared with similar products from any third country.

It is understood that the Government of the United States reserves the privilege of suggesting such changes in this Schedule as may on further consideration seem desirable prior to its final approval by both Governments.

The Government of the United States expects in the near future to submit a preliminary draft of the General Provisions, which, together with the Schedules setting forth the concessions and assurances that may be reciprocally granted by the United States and El Salvador, will constitute the Trade Agreement which it is hoped will be approved within the near future by the two Governments.

The Government of the United States is prepared to receive and give serious consideration to any proposals that the Salvadoran Government may choose to present in connection with possible tariff concessions which the United States might grant on products exported by El Salvador to the United States of America, as well as to any other proposals which the Government of El Salvador might wish to have considered in connection with the proposed Trade Agreement.

611.1631/111

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

No. 213

SAN SALVADOR, April 13, 1935.

SIR: I have the honor to acknowledge the receipt of the Department's instruction No. 99, of April 6, 1935, enclosing the list of the

concessions and assurances which the United States desires to obtain from El Salvador in connection with the proposed Trade Agreement between the two countries.

I have spoken informally with the President, the Foreign Minister and the Minister of Finance regarding the negotiation of this agreement, and encountered in each a disposition favorable to such a treaty. I have, however, considered it prudent to delay the presentation of the list of concessions and assurances desired by the United States, pending the conclusion of the conversations regarding the revision of the Loan Contract of 1922.¹⁰

Respectfully yours,

FRANK P. CORRIGAN

611.1631/111 : Telegram

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

WASHINGTON, May 1, 1935—noon.

26. Your despatch 213, April 13. In view of the probability that loan negotiations will be protracted, the Department prefers, unless you perceive strong objections, that you submit Schedule I without further delay.

It is hoped that an agreement can be reached in time for presentation to the present Congress in El Salvador.

HULL

611.1631/112 : Telegram

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

SAN SALVADOR, May 3, 1935—5 p.m.

[Received 7:12 p.m.]

25. With reference to the Department's telegram 26, May 1, noon, schedule I and *aide-mémoire* were handed to the Salvadoran Government today.

CORRIGAN

611.1631/113

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

No. 248

SAN SALVADOR, May 13, 1935.

[Received May 20.]

SIR: I have the honor to confirm my telegram No. 25 of May 3, 1935, informing the Department that I had on that date handed to

¹⁰ See pp. 568 ff.

the Salvadoran Ministry for Foreign Affairs the *aide-mémoire* and Schedule I of the proposed Trade Agreement between the United States and El Salvador forwarded to the Legation with the Department's instruction No. 99 of April 6, 1935.

The Legation has now received a note from the Ministry for Foreign Affairs, No. 774 of May 7, 1935, acknowledging the receipt of the *aide-mémoire* and Schedule I. The note reads in translation as follows:

"I have the honor to acknowledge the receipt of your esteemed Note No. 163 of May 2, with which you were pleased to send me a list of the concessions and assurances on the part of El Salvador that your illustrious Government wishes to propose as bases for the negotiation of the proposed Trade Agreement between the two countries.

I have also received the memorandum to which Your Excellency refers.

Assuring Your Excellency that my Government will duly study this matter, I wish to renew the assurance of my very high esteem.
(signed) Miguel Angel Araujo."

In an informal conversation held on May 10 with Doctor Rodrigo Samayoa, Minister of Finance, he told me that he had not yet had time to study the proposals, which were receiving the attention of the Ministry for Foreign Affairs, but that he meant to do so as soon as possible. In previous conversations with Doctor Araujo, Minister for Foreign Affairs, and the Sub-secretary, Doctor Arturo Avila, they intimated that some time would be required for the detailed study it is desired to give the proposals, and to ascertain the reaction and opinion of local business interests, and Doctor Avila stated that it might be nearly two months before they would be ready to conduct concrete negotiations.

It is my impression that the general attitude of the Government is favorable to the Trade Agreement, but that they are somewhat concerned with its possible effect on Government revenues.

The newspaper *La Prensa* of today carries the first public announcement that the Government has received the American proposals regarding the Trade Agreement; the announcement is without any comment.

Respectfully yours,

FRANK P. CORRIGAN

616.003/393

The Secretary of State to the Chargé in El Salvador (Fisher)

No. 132

WASHINGTON, July 12, 1935.

SIR: The Department has received an unnumbered telegram, dated June 28, 1935 (6 p.m.) from the Consulate General in San Salvador,¹¹

¹¹ Not printed.

reporting that after July 1, 1935, Salvadoran import duties, which are stated in dollars, must be paid at the rate of Colones 2.50 per dollar. The previous rate had been Colones 2.20 per dollar, hence the change in the conversion basis represents a general tariff increase of 13.6 per cent, figured in colones.

The Department doubts that any useful purpose would be served by representations calling the Salvadoran Government's attention to the inconsistency of such a tariff increase at a time when the two countries are in the process of negotiating a trade agreement. It is believed, however, that this Government's attitude in the matter might appropriately be made clear in an informal manner, and on a suitable occasion, during the course of the direct negotiations which Minister Corrigan will initiate following his return to San Salvador.

Very truly yours,

For the Secretary of State:

SUMNER WELLES

611.1631/118

The Chargé in El Salvador (Fisher) to the Secretary of State

No. 337

SAN SALVADOR, July 19, 1935.

[Received July 24.]

SIR: I have the honor to acknowledge the receipt of the Department's instruction No. 127, dated July 6, 1935,¹² and to report that the draft of the General Provisions which the United States desires to have incorporated in the proposed Trade Agreement with El Salvador was presented to the Salvadoran Government today, together with the *aide-mémoire* enclosed with the Department's instruction.

At the same time I handed to the Subsecretary for Foreign Affairs the Spanish translation of the General Provisions which was received from the Department, taking care to explain that the translation is informal and unofficial and furnished solely for the convenience of the Government of El Salvador.

Respectfully yours,

DORSEY GASSAWAY FISHER

611.1631/113

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

No. 139

WASHINGTON, August 1, 1935.

SIR: With reference to your despatch No. 248 of May 13, 1935, advising the Department that you had presented Schedule I of the proposed trade agreement to the Salvadoran Government on May 3, 1935, and that the Foreign Minister had informed you his Government

¹² Not printed.

would require about two months to study the proposals, you are now requested to make appropriate arrangements with the Foreign Minister to the end that the Salvadoran Government authorize a person or persons with whom you can work out in direct negotiations the schedules and general provisions of the proposed agreement. Please make it clear to the Salvadoran Government that you will be negotiating on an *ad referendum* basis, i. e. subject to the approval of the Department.

It is assumed that the Salvadoran negotiators will have the benefit of the studies carried on since our draft Schedule I was presented and will thus be in a position to indicate with little delay exactly how far the Salvadoran Government will be prepared to go in granting our desiderata.

The Country Committee report on Schedule I will supply you with adequate information on the diversified group of important American exports to El Salvador on which concessions are desired. The commodity analyses in this report are arranged according to the relative importance attached to them, i. e. a concession on hog lard (page one) is relatively the most important, and a concession on metal office furniture (page ninety-one) is of relatively the least importance. The Department will, of course, endeavor to clarify any points on which you have doubt or on which you desire further information.

The Department suggests that in the direct negotiations you present one after another, or in such manner as you deem most appropriate, the various requests for concessions outlined in the mimeographed report on Schedule I, starting at the beginning of the report. Please keep in mind the great importance attached to concessions of any kind on flour and lard. If the Salvadoran negotiators are unwilling to accept any concession either in the form indicated in the report or in any form at all, you should then drop such items and proceed with others.

In the trade agreement with Haiti, conditional concessions on certain items were granted by Haiti to become effective when Haiti's budget expenditure reaches a certain figure. The Department does not desire you, however, at this stage of the negotiations, to propose concessions with a conditional feature involved. Later, if it proves necessary to resort to this expedient, and particularly if the Salvadoran negotiators themselves suggest some such formula, further consideration will be given the matter.

The Department is well aware of the difficulties involved in reaching a satisfactory agreement with El Salvador, but believes that direct negotiations will afford the best means of determining rapidly and with finality just how far El Salvador is prepared to go in meeting our desires. I therefore trust that you will exert every effort to work out the bases of an agreement on the best terms obtainable. Please

keep the Department fully informed concerning all developments and submit Schedule I as agreeable to El Salvador as soon as possible for final review and approval by the Department.

Very truly yours,

For the Secretary of State:
FRANCIS B. SAYRE

611.1631/124

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

No. 365

SAN SALVADOR, August 9, 1935.
[Received August 14.]

SIR: I have the honor to acknowledge the receipt of the Department's instruction No. 139 dated August 1, 1935, directing the Legation to request the Salvadoran Government to name an official empowered to conduct conversations with the Legation in regard to the provisions of the proposed Trade Agreement between the two countries, and to report to the Department that I called on Doctor Araujo, Minister for Foreign Affairs, yesterday, accompanied by Secretaries Fisher and Cochran.¹³

Doctor Araujo stated that he was in accord with all measures for promoting the peace of the world and he believed that the ideas motivating the United States in its desire to restore world trade were in harmony with this program. The Salvadoran Government will cooperate with us in the effort to conclude a trade agreement which will be a part of the general effort being made by Secretary of State Hull to restore world trade to normal levels. He said that the Ministry of Finance must consider the revenue features of the proposed treaty. They have from this standpoint been studying the rates proposed in Schedule I. His Ministry is comparing the General Provisions with the treaties now in effect. The Minister promised to request immediately that the Treasury name one or more individuals to represent the government in conversations with the Legation which would speedily determine how many of the requested concessions could be agreed upon.

Respectfully yours,

FRANK P. CORRIGAN

611.1631/126

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

No. 425

SAN SALVADOR, September 23, 1935.
[Received September 30.]

SIR: I have the honor to refer to the Department's telegram No. 41, of September 21, 2 p.m.,¹⁴ requesting information as to the progress

¹³ William P. Cochran, Jr., Third Secretary of Legation.

¹⁴ Not printed.

of the trade agreement negotiations, and to my telegraphic reply of September 23, 10 a. m.^{14a}

Conversations with the government have been held several times a week, but it has not so far been possible to reach the point of concrete discussions of the items included in Schedule I. The government is inclined to proceed very slowly and has been very much occupied with matters of internal revenue. The Ministry of Finance is understaffed and its studies of the effects of the trade agreement on customs revenue have repeatedly been interrupted by pressing business, such as the new Moratorium Law¹⁵ and an important claim against the government which resulted in the granting by the courts of an embargo of the State's property. This action has been the subject of lengthy discussion in the newspapers and had internal political connotations. As a result, it has occupied the attention of the Minister of Finance almost exclusively during the last few weeks. The Loan Negotiations have also been a factor.

Both the President and the Minister of Foreign Relations have assured me of Salvador's inclination to negotiate this trade agreement. Every effort is being made, and will continue to be made, to bring this matter to the earliest possible conclusion.

Respectfully yours,

FRANK P. CORRIGAN

611.1631/128

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

No. 444

SAN SALVADOR, October 11, 1935.

[Received October 21.]

SIR: I have the honor to inform the Department that extraneous matters of considerable local political importance have been delaying the special trade agreement negotiations. Some of these are quite reasonable causes for delay and beyond the control of anyone. There has been also apparently a dilatory course pursued by the Ministry of Hacienda which indicates a desire on the part of the Government to hold off for a time at least the signing of a new treaty.

On September 29th also the Sub-secretary of the Treasury, who has had charge of most of the negotiations up to now, had been called to California on account of the illness of his wife.

In an effort to obtain some definite commitments from the Minister of Hacienda, a conference was arranged for today and the Minister accompanied by Secretaries Fisher and Cochran engaged in a round table discussion with Doctor Samayoa. This resulted in bringing to light the actual fears that exist in the minds of Minister Samayoa and

^{14a} Not printed.

¹⁵ Decree No. 99, September 4, 1935, *Diario Oficial*, September 4, 1935, p. 2273.

his advisers that the government revenues would be sharply reduced if the suggested reductions in duties should be adopted.

Calling attention to the fact that under the most-favored-nation treaties the concessions would be extended to other nations as well, he stated that while the statistical studies of the Salvadoran government were not yet entirely completed, they indicated so far that the granting of the requests made by the United States would involve a loss of customs revenue of \$872,000 in ordinary years, running up to over \$1,000,000 in good years. We pointed out that the method by which the figures were obtained, did not take into account any possibility of increased revenue from increased imports as had occurred following the removal of trade barriers in other countries as for example Cuba, quoting also the opinions of the experts who had prepared the treaty. His mental attitude with regard to increased importations was, to say the least, skeptical. He stated that he was quite willing to sign a treaty if we could prove to him that there would not be a net loss of revenue and finally agreed to permit the Legation staff to go over in detail the study now nearing completion with Mr. Llach, the expert of the Government Finance Commission, who seems to be largely responsible for the adverse report.

From the nature of conclusions apparently arrived at by this body it is quite evident that considerable educational work must still be done before a basis for satisfactory agreement can be reached. It would not in any opinion be prudent to exercise more pressure at the moment with possible sacrifice of the goodwill that Doctor Samayoa has manifested. He has a number of pressing problems, is a very slow and careful mover, not entirely sure of his ground and therefore not taking any chances.

The Legation had hoped for a speedier termination of these negotiations and trusts that the foregoing will make plain to the Department why speedier progress has not been possible. The Legation will continue to use every possible means to bring about the desired result.

Respectfully yours,

FRANK P. CORRIGAN

611.1631/130

The Chargé in El Salvador (Fisher) to the Secretary of State

No. 473

SAN SALVADOR, October 31, 1935.

[Received November 6.]

SIR: I have the honor to refer to despatch No. 444 from this Legation, dated October 11, 1935, reporting a conversation between Minister Corrigan and the Minister of Finance, relative to the trade agreement negotiations.

A few days subsequent to this conversation, a call was made upon Doctor Alfonso Rochac, the official of the Mortgage Bank charged with studying the proposals of the United States. Doctor Rochac had prepared a table showing the anticipated loss of revenue, should the concessions requested by the United States be granted. He had also prepared a preliminary memorandum on the subject, unfavorable to the treaty in general. He furnished a copy of this document and a translation is enclosed. (Enclosure 1).

It was learned that he had already presented this preliminary memorandum to the Minister of Finance; and in order immediately to counteract the effect of the statements therein, a reply thereto was prepared. Copies of the reply are also enclosed. (Enclosure 2.)

.

In the preparation of his table of loss of revenue, Doctor Rochac used the import statistics for the fiscal year 1931-32 as a basis (this being the year of lowest imports). To these statistics, he applied the present duty rates to obtain the customs income to be expected; and then the rates proposed by the United States. He took the difference of \$839,000 as the loss of revenue to be expected should El Salvador grant the concessions requested. He effected a similar calculation for a "good" import year, arriving at a revenue loss of \$1,500,000. As is well known, the Finance Minister is primarily interested in the effects of the proposed treaty on the national revenue, and the figures given immediately caught his attention, as previously reported. In the reply to the memorandum, an attempt has been made to point out certain inconsistencies in the method of calculation, and to counteract the effects of this unfavorable presentation of the situation. It is felt that Doctor Rochac took the worst possible view of the trade agreement, and painted its effects as blackly as possible.

Furthermore, although Doctor Rochac makes the mistake of admitting the opposite under item 7, of his memorandum, both he and the Finance Minister have consistently taken the attitude that they would not concede that a reduction of tariff rates will result in increased importations; that it must be proven to them that reduced duties will not result in loss of revenue.

Doctor Rochac has now prepared an additional memorandum as a result of his studies. It is believed to be a comprehensive review of the revenue, economic and other aspects of the treaty, as he sees them. It is thought to consist of some 50 pages, and to contain full tables, showing his calculations. It is hoped to obtain a copy thereof within a few days, and a translation will be furnished the Department as soon as practicable. In the meantime, and as soon as he has had an opportunity to study the reply to his memorandum prepared by

this Legation, further oral conversations are to be held with him in the premises.

Respectfully yours,

DORSEY GASSAWAY FISHER

[Enclosure 1—Memorandum—Translation]

The Salvadoran Ministry for Finance to the American Legation

1. There exists between El Salvador and the United States a commercial treaty signed in 1926¹⁶ and which expires in 1940.

El Salvador has (gains) no practical advantage from the treaty in question. The only Salvadoran product shipped to the United States in appreciable quantities is green coffee. Just at this moment, coffee is subject to no American customs duty, this treatment being for countries which have and which do not have a treaty with the United States. Thus, if the treaty of 1926 is not favorable to us, much less so is the one now projected, since it includes (grants) more facilities than those included in the table of the Zaldívar-Delcassé treaty.¹⁷ (Reference is to Table B, French Treaty.)

2. The commercial balance between El Salvador and the United States is unfavorable to El Salvador not only in recent years, but over a long period. It is desirable for the country, in defense of its currency, to impose the means within its power to obtain the equilibrium of the balance and thus defend the soundness of its currency. There must also be taken into consideration in this, that the shipments of gold to the United States are (not?) only in the field of importation, but also in many others, for example, dividends to companies, premiums for life insurance, fire insurance, etc., freight payments, service of the loan, etc.

3. In the table previously delivered, it is seen that on signing the treaty with the proposed conditions, the fiscal interests will suffer large losses, which would signify the unbalancing of the General Budget.

4. The purchases of Salvadoran coffee by the United States have shown a marked decline in recent years, as can be seen from the following table:

Year	Per cent	Value in dollars
1928	0.83	\$2,577,701
1929	1.13	3,407,200
1930	1.19	2,501,107
1931	1.20	2,096,482
1932	0.79	1,076,983

¹⁶ Signed February 22, 1926, *Foreign Relations*, 1926, vol. II, p. 940.

¹⁷ Commercial treaty between El Salvador and France signed January 9, 1901, extended by an agreement of September 20, 1932. For texts of the treaty and the agreement, see *British and Foreign State Papers*, vol. xciv, p. 590, and vol. cxxxv, p. 506, respectively.

El Salvador has placed in force efficacious means to increase its commerce with the United States, for example, the differential tariffs, whose beneficent effect is being felt by the United States more than by any other country.

5. The Act of June 12, 1934¹⁸ which amends the Tariff Act of 1930, provides that the President shall not proclaim an increase or decrease of the duties of more than 50% of the rates in force, nor shall he establish the transfer of articles subject to payment (of duties) to the list of articles of free entry and vice versa. From this it is deduced that coffee cannot be penalized in the Tariff Act. If by a special law there should be established an ordinary duty on coffee and a preferential rate on this same product, the latter to be applied to the countries with treaties, it would prevail that, without the necessity of a new pact, the low rate would obligatorily be applicable to El Salvador, since we have a treaty with the most-favored-nation clause, effective until 1940.

6. The reduction of the (tariff) rate on medicinal products, even were it by 50%, would not appreciably affect the retail sales price and consequently the consumption would not increase, but (on the contrary) it would cause a considerable loss to the fiscal interests (of the government).

7. The reduction of the rates on milk, cornstarch and hog lard cannot be accepted, since it signifies damage to national industries which are now struggling with sacrifice to survive, due to the economic depression. Perhaps the milk industry has never suffered a reduction as large as at present. The same thing can be said of hog lard. If the duties are reduced, there will consequently be increased the exportation (importation?) of such products, and the prices will be lower. The argument that there is not produced in El Salvador sufficient lard for (our) consumption, is without merit, since in recent years there has been a notable increase in production. Exactly the high prices have stimulated the producers. It is pertinent to observe that the consumer has always preferred natural, fresh lard to the industrial greases brought in packages from abroad.

8. The experience of Cuba cannot be a promising example for El Salvador, supposing, without conceding it, that with the reduction of the tariff rates, the importation will increase, and there will be recovered the customs income; the national economy would suffer, since El Salvador would have to spend more money (abroad) to acquire a larger volume of merchandise.

9. Wheat and flour.

(a) The requested reduction on flour and wheat would not increase the consumption and thus the importation. In effect, while

¹⁸ 48 Stat. 943.

the (total) *general imports by weight* declined by 45% from the maximum years (1928-29) to the minimum years (1931-32), the *importations of flour by weight* declined by 29%, in spite of the fact that the *price of flour* fell from \$147 per ton (1000 kilograms) to \$91, or by 39%.

<i>Years</i>	<i>Weight in tons</i>	<i>Price</i>	<i>Price per ton</i>
1928-29	12,409	\$1,825,000	\$147.00
1931-32	8,855	811,000	91.00
	29%		39%

From which it is deduced that reduction of prices, due either to the cost of the product or reduction of the customs duties, do not increase the importation, but that this is a function of the purchasing power of the people, a power which derives from the sales price of Salvadoran coffee abroad.

(b) The only country which could be considered as a rival of the United States in the importation of these products, is Canada, which by the application of the differential tariffs has seen its products subjected to a surcharge of 15%, but we must consider that due to the contracts with the flour milling companies, they may import wheat, paying the special low duty of \$2.50 per hundred kilos, without any restriction as to the country of origin or differential tariffs.

(c) The granting of the requested reduction, as refers to flour alone, would occasion to the Treasury a loss of almost half a million dollars, without any compensation whatsoever.

(d) In view of the growing flour milling industry at El Salvador, it would be dangerous to the very life of these industries to compromise the future for many years, without a profound study of the situation.

10. El Salvador places much importance on the fiscal repercussion of the projected treaty. The calculation which has been made, that the loss can fluctuate between \$839,394 and \$1,510,909, is not exaggerated.

It cannot be overlooked that the best of the incomes of the National Budget of Receipts, is that from customs receipts; it is doubtful if a shrinkage in this Income could be replaced from any other source.

[Enclosure 2—Memorandum]

The American Legation to the Salvadoran Ministry for Finance

I. THE BASES OF THE TRADE AGREEMENTS PROGRAM

The principles of the trade agreements program¹⁹ were first promulgated and unanimously approved by the twenty-one American

¹⁹ See 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, 1934), p. 196.

nations at Montevideo, and have received the formal approval and support of the League of Nations.

The United States believes that it, along with the rest of the world, will benefit if trade can be freed from present restrictions. It considers that the removal of tariff barriers, import quota systems, exchange limitations, etc., is bound to result in an increase of total world trade. Narrow economic nationalism has been tried and found wanting. Through the imposition of the above restrictions, it has caused the loss of 22 billions of dollars of world trade. An unfettered interchange is bound to benefit El Salvador.

The United States is not seeking for itself any narrow, individual benefits or concessions. It does not wish to damage the trade of any other country. On the contrary, it asks that any concessions granted it be generalized to all other nations.

The United States has no desire to throw the Salvadoran budget out of balance, nor to cause any loss of customs revenue.

It is believed that attempts to enforce an exactly equal balance of visible trade between each two countries has contributed to cause and deepen the depression, and to result in further stagnation of international commerce. The interchange of the world's products is more complicated than a bilateral equality of commercial exchange. A typical example of three-way trade, benefiting El Salvador, is as follows: the United States has a favorable balance of trade with El Salvador, leaving it with a currency credit; the United States has an unfavorable balance with Germany, thus in effect transferring its credit balance to that country; Germany thus has foreign exchange with which to purchase large amounts of Salvadoran coffee. There are also four and five way interchanges, all swelling the total of international trade.

The theory of exact bilateral balances is also impracticable in that it wholly ignores invisible payments, which are frequently large enough to change the whole situation, from favorable to unfavorable, and vice versa.

The United States Government has officially stated that it is not its desire that any government with which it may negotiate a trade agreement should grant concessions calculated to deprive that government of needed revenues. It should be borne in mind that the entire trade agreements program is aimed, through reciprocal lowering of tariff and other barriers, at an increase in total world trade. The United States confidently expects, therefore, that individual reductions in duties on properly selected commodities will not result in reduced revenues. On the contrary, it is believed that in many cases a positive increase in revenues will result.

In drawing up its various lists of concessions to be asked, the Government of the United States had constantly in mind the desirability

of selecting those articles the market for which was capable of expansion in such manner that total revenues from their importation would probably not be diminished.

It is noted that El Salvador does not consider that it can obtain from the agreement any advantage which would compensate it for the concessions which the United States desires. Considering that coffee, which represents 90% to 95% of El Salvador's exports, enters the United States free of duty, it is obvious that the United States is not in a position to grant El Salvador further concessions of importance in the reduction of customs duties.

This does not mean, however, that El Salvador cannot expect to derive advantage from the trade agreement. The willingness of the United States to guarantee that coffee will be maintained on the free list, as far as El Salvador is concerned, during the life of the agreement, is a commitment of real value to El Salvador and to its exporters, to whom few free markets for their products remain.

More important than any immediate advantage to be derived out of the trade agreement, however, are the advantages which El Salvador will obtain from the success of the trade agreements program in general. The United States Government is convinced that if the other countries of the world will cooperate with it in making the trade agreements program a success, El Salvador will ultimately obtain advantages much broader and of far greater importance to its vital economic interests than it could obtain from any reduction the United States might grant in customs duties, were such duties in fact being applied on its principal products.

El Salvador is well aware of the growing tendency on the part of nations throughout the world to interfere with normal trade by creating arbitrary hindrances and barriers. El Salvador's coffee trade has already been adversely affected by obstructive measures of the character suggested, placed in effect by certain European countries, formerly important markets. It is apparent that unless the tendency referred to is reversed, still further obstacles to trade may be placed, not only by those European countries, but by other countries as well, and El Salvador will be exposed to further injury and possible complete loss of other profitable markets.

In the United States today, not only do El Salvador's principal export products enter free of duty, but they are not subjected to exchange restrictions, quotas, or other arbitrary hindrances to their free sale. In fact, the United States is almost the only large market in the world in which El Salvador's products are allowed to enter free of duty and without restriction. It is the purpose of the Government of the United States to insure, through its trade agreements program, that this market will remain open to El Salvador and it is hoped, with

progress on the program, that other markets now closed to El Salvador will be gradually reopened. The United States, therefore, considers that if it is successful in its program, and it has every reason to believe that it will be, since support from other Governments has already been forthcoming in generous measure, it will have secured for El Salvador advantages of greater importance than the advantages which the United States expects to derive out of whatever immediate concessions El Salvador may agree to accord it.

In summary, the Government of the United States is endeavoring through its trade agreements program, to remove artificial hindrances which constitute such a serious threat to trade throughout the world. It is evident that El Salvador, because of the vital importance to it of its export trade, is deeply concerned in the success of this program. With this in mind, and having in mind also the possible further injury to El Salvador's trade and to its entire national economy should the tendency to erect barriers to the free exchange of goods be allowed to continue, the United States is confident that El Salvador will be anxious to cooperate to the extent it is possible for it to do so in insuring the success of the trade agreements program by making the concessions it reasonably can, in connection with the proposed trade agreement.

II. REPLY TO MEMORANDUM

1. It is believed that El Salvador obtains substantial benefit from the 1926 treaty, which is but the fruit of the policy of the United States for many years: to seek and to grant no special commercial favors. That policy it will continue, through the generalization of the concessions granted in the various trade agreements.

Concretely, this policy results in the United States being the one large, free, cash market still left for Salvadoran coffee. As recently as last year, the restrictions placed by Germany on the sale of Salvadoran coffee caused local growers to wonder, not at what prices they could dispose of the crop, but whether it would be possible to place it at all. The open market of the United States saved the situation, taking 50% of the coffee shipped, for the 1934-35 crop. Competent local opinion holds that the United States will take a much larger proportion of the next crop.

The American free market, resulting from the policy outlined above, has been a life-saver to the Salvadoran coffee grower in a time of great economic stress.

2. It is believed to be much more important to El Salvador that it has a favorable total balance of visible trade, than that its balance with one country or another is favorable or unfavorable. The general problem of equal bilateral exchange, and three and four way trade, has already been discussed at length, above.

As for the invisible items, not all of the payments are unfavorable to El Salvador. Certainly, in any case, El Salvador receives full value for its payments enumerated, in the development of local resources and industries through the investment of foreign capital, the protection given by the insurance for which it pays premiums, the modern, rapid steamship service which it obtains in return for freight payments, etc. Furthermore, it is necessary to include the tourist traffic, which brings appreciable sums to El Salvador. It is calculated that 5,680 tourists came to this country in 1934. Practically all were Americans.

3. The conclusions derived from the table can hardly be accepted, for it is felt that the method used in its preparation is faulty.

For example, in considering hog lard, the 1931-32 importations were taken, and the present tariff rate (which did not apply at that time) is applied. The income from this fictitious rate is then compared to the revenue to be obtained by applying the requested rate to the same volume of importations. This assumes that a reduced rate will not increase imports, an assumption which is contrary to world-wide experience.

The duty on hog lard was reduced to \$8 per 100 kilograms on December 23, 1931, and this rate was in effect until February 24, 1932. It is pertinent to consider that, with the increase in the duty, imports fell to 952 kilograms in 1933, from which the customs receipts, at present rates, were \$254.60. It is thus obvious that a decrease in the rate, as requested, could not possibly result in a loss of \$44,296, as claimed in the table.

The income in 1930, with an \$8 duty, was \$45,955. In 1933, with the new, higher rate, the income was \$254. The loss of trade and revenue due to the increased duty is evident.

The example given is important in showing that it is possible to increase tariff rates to the point of "diminishing returns".

It can be shown that a reduction of the duty to the 1931 level, as asked, which should result in a return of trade to the 1931 level (not one of the world's best trade years) would result in a positive gain to the Treasury of \$60,000.

Another criticism of the method of computation of loss of revenue used, will be made under point 9 (wheat and flour).

By applying similar reasoning to the other items in the schedule of concessions asked, namely: applying the requested rate and assuming that trade will revive only to the 1930 level; and comparing the customs receipts with those for 1934 at present tariff rates; it can be shown that the total loss of revenue will be approximately \$95,000 instead of \$839,000. However, it is to be anticipated that trade will

increase beyond 1930 levels, and a real increase in customs income could readily result.

4. (a) It must be pointed out that the table, which appears to show declining coffee exports to the United States, shows values. Coffee prices declined heavily during the years in question. The following table of quantities of coffee shipped to the United States, taken from Salvadoran official publications, points to quite another conclusion.

<i>Year</i>	<i>Kilograms</i>	
1928	5,859,749	
1929	8,585,517	
1930	8,717,118	
1931	7,378,311	
1932	5,469,443	
1933	12,484,996	
1934	12,835,278	
1935	25,014,039	(for 1934-45 [35] crop year, to date, or 11 months. 50% of total coffee shipments.)

(b) Even if such a declining trade had obtained, it would not have been because of any unwillingness on the part of the United States to buy Salvadoran coffee; nor could it have resulted from any tariff, quota, exchange or other restrictive action on the part of the United States. The natural explanation is the simplest: Salvadoran coffee brings a high premium in Europe, because of its quality. The United States has not been educated to pay this premium; nor have very serious efforts been made in this direction. Thus the shift to German and Scandinavian markets, had there been any, was the simple result of higher prices offered there. Immediately that those high quotations were no longer available, the shift was back to the free American market, the United States taking all the Salvadoran coffee that was not placed elsewhere, and paying cash for it. The United States thus became the best market for Salvador's principal export commodity.

(c) As for the final statement in paragraph 4, is it not true that the differential tariff rates were imposed to encourage El Salvador's suppliers to purchase more Salvadoran coffee; and that the fact that the United States has benefited therefrom is a purely secondary and wholly incidental result?

5. Comment reserved until last.

6. The medicinal rates affect principally American proprietary remedies. A reduction in rates would bring lower prices and increased use, as the medicines will be placed within the purchasing power of a larger proportion of the population.

In view of the statement, in the memorandum, that a 50% reduction of duty would not result in a lowered retail price, a comparison

has been made of four items, selected at random, handled by almost every drug store, as follows:

<i>Product</i>	<i>Present retail price</i>	<i>Retail price with 50 % duty reduction</i>	<i>Per cent reduction of retail price</i>
Bicarbonate of soda	Ø0. 50 / lb.	Ø0. 35 / lb.	30%
Sal Hepatica	1. 25 /bot.	0. 95 /bot.	24%
Listerine	4. 00 /bot.	3. 20 /bot.	20%
Nujol	3. 50 /bot.	2. 65 /bot.	24. 3%

If, due to the duty reductions, the trade in these products revives only to its 1930 level, the government will receive \$7,500 more than the 1933-34 average income at present rates.

7. (a) Dried whole and skimmed milk. If the present duties were imposed to protect a local industry, it is difficult to reply to the memorandum. The question of protecting local producers, and the amount of protection to be granted, is a matter of governmental policy which is wholly outside the scope of this memorandum.

It may be of interest, however, to note that the present rates on dried skimmed milk and dried whole milk are 206% and 38%, respectively. The suggested rates would be 34% and 19%, respectively, thus still affording some protection to local milk producers, especially when freight and other charges are considered.

It is also pertinent to indicate that, even in 1930, before the tariff rate was increased from \$2.50 to \$30 per 100 kilograms, the total trade in these items amounted only to Ø19,370, which could hardly be a serious threat to the Salvadoran milk industry.

There is also the question of the benefit of dried milk in the diet, particularly of small children.

(b) Cornstarch is defined by the dictionary as "starch made from corn, especially a white flour used in making puddings, etc." This is not ordinary starch (*Almidón*), but a preparation used for desserts. Total importations have never been large. The Salvadoran statistics appear to include corn flour as well as cornstarch, and only in 1933 did the trade exceed 2,100 kilograms in both items. The present duty is 140%, and the rate asked is 25.8%. In making this request, it was not understood that cornstarch, as the term is understood in English, is manufactured in El Salvador.

(c) Hog lard is discussed at length under item 3, above, where it was shown that there could not be, for this item, the loss of revenue of \$44,296 shown in the table, as total revenue in 1933, for example, was only \$254.

In making the request for the reduced duty on hog lard, the committee stated that it was its understanding that, while the Salvadoran government was encouraging the production of more and

better quality hogs, the 400,000 animals in El Salvador are not generally of lard-producing types.

The present duty rate is from 93% to 120%, depending on the basis of valuation; and the rate asked would be 26.6%, which would appear still to grant some protection to local industry, especially if freight and other charges are considered.

In reducing the rate on hog lard to \$8 (the rate now asked) on December 23, 1931, the Salvadoran government itself stated that the higher rate was contrary to the fiscal interests, that it had resulted in an increased cost of living, and that it had discouraged the importation of superior qualities of lard.

It can reasonably be shown that the requested rate on hog lard would result in the government's receiving \$60,000 more revenue, rather than a diminished income.

8. The experience of Cuba has been used only because it was the one country where a trade agreement has been in force long enough to evaluate its results. The example was used simply to prove a principle long recognized in tariff history: that tariffs can be increased to the point of "diminishing returns", and that reduced rates result in increased importations.

The objects of the trade agreements program have been explained. It is not desired or intended to upset El Salvador's favorable balance of trade; but rather, to revive it to previous levels, so that El Salvador would both import more and export more, its relative balance of trade remaining unaffected.

9. The question of the protection of the Salvadoran flour milling industry, and the amount of protection to be granted, is again a matter of high governmental policy which is beyond the scope of this discussion.

It may be pointed out, however, that El Salvador's 1934 wheat imports, had they paid the full prevailing duty, would have produced \$541,405 in revenue; that if all this wheat was imported by the millers (as is probable) at the special rate of \$2.50 plus the internal tax of ¢4.40 (or \$4.26 in all), the actual income was \$262,092. The Government thus sacrificed \$179,313 [*sic*] in income to support this industry, which is principally mechanical in operation and offers but limited work to Salvadorans.

It has been estimated that the granting of the reductions requested in the duties on wheat and flour would, if passed on to the consumer, result in a reduction of approximately 5 centavos per pound loaf of bread. This would reduce the cost of living and improve the diet of the people. The children, especially, need the calcium in American hard wheat, for bone and teeth building.

The figures given under 9 (*a*) are considered to indicate exactly the opposite of that claimed, namely: to prove that the market for wheat and flour is elastic, and responsive to price changes, thus:

General importations, by weight, declined 45%. Imports of flour, influenced by a 39% price decline, fell only 29%. Had the market for flour been unresponsive to price declines, it, too, would have fallen by 45%, as did other imports. Consequently, flour has an elastic market, responsive to price declines. This market of course depends, as do all markets, on the general purchasing power, but the figures provided show that it also responds definitely to price changes.

Relative to point (*c*), it has been said that the drop in the consumption of flour began in 1932, when the rates were increased to \$8.80 and \$9. The result of this increase in rates has been to increase the price of bread to the consumer (by about 5 centavos per pound loaf), reduce the importations and bring a loss of revenue.

As stated under point three, above, this is another instance where the calculations of the possible losses of revenue are believed to be in error. In the table, the present duty rates were applied to the 1930 and 1931 importations, whereas the rate at that time was only \$2. The rates now requested would give a larger customs revenue, on the same volume of imports, than was actually received during those years, as follows:

	1930	1931
Imports of wheat and flour for the year, at \$2/100 kg.	\$212,532	\$206,918
Same, at requested rates, \$2.50 and \$3.50	371,742	361,885
Increase	\$159,210	\$154,967

10. As regards the total loss of revenue, it has already been stated under point three that, if the reduced duties result only in the revival of trade to the 1930 levels, the revenue loss will be about \$95,000, rather than the huge figure heretofore calculated. With the anticipated revival of world trade beyond 1930 levels, an increase in revenue may be expected.

Point 5 has been saved until the last. The United States does not seek to impose any treaty upon El Salvador, to force it to grant any concessions (even could it do so) nor to occasion any loss of customs revenue. The United States believes that the world has suffered immeasurable losses from the restrictions placed on world trade. It believes that El Salvador is interested, with it, in restoring trade to former levels, and that this result can only be obtained by the removal of these very tariff, exchange and quota impediments to the free movement of commerce. The United States is confident that El Salvador will see that its future, along with that of the rest of the world, is bound up in the trade agreements program; and that it will cooperate in making the program a success.

611.1631/130

The Secretary of State to the Chargé in El Salvador (Fisher)

No. 172

WASHINGTON, December 4, 1935.

SIR: The Department has read with interest the Legation's despatch No. 473, of October 31, 1935, reporting recent developments in connection with the negotiation of a trade agreement with El Salvador.

It is hoped that the conversations you have reported may lead in the near future to direct discussions of possible bases for an agreement. It is assumed that in the six months that have elapsed since the presentation of this Government's desiderata the Salvadoran Government has had ample opportunity to work out such bases. You should find an early opportunity orally to urge the Salvadoran Government to prepare and present to you a list of the concessions and assurances it requests of the United States, as well as to discuss with you and endeavor to reach a tentative agreement with reference to the concessions and assurances it is prepared to grant the United States.

You should make clear once more to the Salvadoran Government that you have been authorized to reach an *ad referendum* agreement with reference to the concessions which El Salvador may grant the United States, and explain to the proper authorities that you are prepared in order to reach such an agreement to give full and sympathetic consideration to objections which the Salvadoran Government may make in the cases of specific requests already formulated by the United States in the draft Schedule I.

The Legation is likewise authorized to reach an *ad referendum* agreement with reference to Schedule II, adhering of course to the instructions already sent on this subject by the Department. It would be helpful if the Salvadoran Government would promptly submit its desiderata to you in order that you may forward them to the Department for appropriate consideration by this Government.

The Department considers that the memorandum prepared by Third Secretary William P. Cochran, Jr., is an excellent interpretation of the views of this Government in respect to the trade agreements policy in general, and constitutes an effective reply to the arguments presented by Dr. Rochac in his memorandum addressed to the Minister of Finance. I trust that the conversations have reached a point where they may now proceed orally and that the Legation in the near future will be able to work out an *ad referendum* agreement on the bases outlined in this and in previous instructions to you on the subject.

Very truly yours,

For the Secretary of State:
SUMNER WELLES

611.1631/135

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

No. 519

SAN SALVADOR, December 7, 1935.

[Received December 16.]

SIR: I have the honor to refer to Department's instruction No. 172 of December 4, 1935, and to report that the Minister of Foreign Affairs told me today that the studies of the proposed trade agreement which the Department of Hacienda has been conducting are now finished and the report has been placed in his hands. He assured me that the Government's formal views would be submitted at once and expressed the hope that some of the difficulties which appeared therein could be arranged satisfactorily and took the opportunity of again expressing his desire to cooperate with the Government of the United States in its attempt to improve world conditions. He stated further that relations between his country and the United States had never been so friendly and that he wished that he could have the privilege of casting his vote in favor of the present policies of the United States Government.

Respectfully yours,

FRANK P. CORRIGAN

611.1631/137

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

No. 532

SAN SALVADOR, December 28, 1935.

[Received January 3, 1936.]

SIR: I have the honor to refer to my despatch No. 519 of December 7, 1935, and to previous correspondence on this same subject.

As reported in my despatch No. 473, of October 31, 1935 (last paragraph), Dr. Rochac prepared a second, more extensive study of the proposals of the United States. Dr. Max Brannon, Undersecretary of Finance, promised to give a copy thereof to Third Secretary Cochran, after exacting a promise that it would not be sent to the Department, since it did not represent the official viewpoint of the Salvadoran Government, being a study prepared by Dr. Rochac because of his (Dr. Brannon's) absence from the country. In view of the known, unfavorable character of Dr. Rochac's memorandum, this was considered a propitious indication.

Mr. Cochran then requested that, before the Government determined its attitude in the matter, he should be allowed to discuss the memorandum in detail, informally, with Dr. Brannon, in order to present our reply to the statements made therein; and Dr. Brannon promised that he would be afforded this opportunity.

Repeated efforts to obtain a copy of the memorandum were unsuccessful, the Minister of Finance, Dr. Rodrigo Samayoa, finally deciding that the reply of the Ministry would be prepared on the basis of the memorandum, and formally delivered to the Legation through the Foreign Office.

This was done on December 10, 1935. The reply, in the form of a 35-page memorandum, was forwarded under cover of a short, non-committal note of transmittal by the Foreign Office. It is substantially the same as the short memorandum previously prepared by Dr. Rochac, forwarded as enclosure No. 1 to my despatch No. 473 of October 31, 1935. The reply to this short memorandum, submitted by the Legation, appears to have had no effect whatsoever on the attitude taken by the Ministry of Finance, as the official reply to the proposals of the United States begins with the statement, "The celebration of a new treaty on the bases proposed by the American Government is not desirable (*no conviene*)".

Thus, the Minister of Finance took the matter out of the hands of his Undersecretary, Dr. Brannon, and delivered Dr. Rochac's study (apparently with a few modifications) to the Foreign Office for transmission to the Legation as the Government's official reply to our proposals. Since that date, the Minister has discussed the matter with the President. On December 11, he had a conversation with President Martínez, and told him frankly and definitely that he considered that the reply to the proposals of the United States had been prepared by an opponent of the treaty, interested in presenting only its most unfavorable aspects, rather than by a pure student, intent on an unbiased study of the probable economic effects thereof.

Minister Corrigan pointed out that it was obviously unfair to use the point that coffee enters the United States free of duty, in other words the generous treatment accorded to El Salvador's principal export, as an argument against the treaty. He called attention to the fact that the United States is the best market for Salvadoran coffee; that American commerce with El Salvador is but a small fraction of the total trade of the United States; that the United States is engaged in a world-wide effort to free the commercial interchange of the world from excessive tariff barriers, exchange restrictions, quotas and other repressive factors; and that the success of the program would unquestionably affect El Salvador favorably. He added that the cooperation of El Salvador was needed.

The President had seen the memorandum used by the Ministry of Finance, and replied that the loss of revenue resulting from granting the American proposals would reach alarming proportions. Minister Corrigan replied that, while there would have to be taken into consideration the risk of a temporary loss of ¢200,000 to ¢300,000

in customs revenue, by El Salvador in lending its support to the American trade agreements program, he was personally convinced that no such loss would result. He repeated his statement that the study presented to the Government was partisan and misleading, and asked for an opportunity to present studies of several of the calculations and statements used in the memorandum, to prove that the presentation was not detached and impartial, but represented the point of view of a person opposed to any change in the present treaty structure. The President promised to afford this opportunity.

The President then stated that the Finance Minister was alarmed over the possible revenue losses, not so much from granting the concessions asked to the United States, as from the generalization of these reductions of duty to the other countries with which El Salvador has treaties containing the most-favored-nation clause. The fact is, of course, that according to the calculations used by the Salvadoran Government itself, as contained in its memorandum reply to the American proposals, 87.8% of the calculated loss of revenue would derive from imports from the United States.

On Tuesday, December 17, Minister Corrigan had another conversation with the President. At the time, he presented him with a short memorandum relative to the unfairness of the study prepared by Dr. Rochac. For simplification, the memorandum was limited to pointing out that the study discussed only bilateral trade with the United States, rather than multilateral trade, which we are trying to reestablish, and therefore was an incomplete discussion of El Salvador's economy and commercial exchange. The memorandum also pointed out that the world has lost 22 billions of dollars in international trade through high tariffs, and quota, exchange, and other restrictions; and gave figures to show the decline in El Salvador's trade and in customs income from import duties.

In order to bring the point sharply to the President's attention in a brief way, figures were presented to show that the calculations of loss of revenue were exaggerated. Under three items (dried milk, hog lard and phonograph records), it was shown that in none of the last three years had the total revenue from import duties on these commodities amounted to as much as (or more than slightly exceeded) the alleged loss of revenue. Thus, unless trade should disappear entirely under the influence of lower duty rates (which is a ridiculous assumption), and sometimes not even then, the revenue loss could not possibly reach the level calculated in the report of the Ministry of Finance.

The President said that he had to consider the internal needs of the country; that revenue was low; and that the calculated loss of revenue was a matter of serious concern. The Minister repeated that

the possible loss of two or three hundred thousand colones in customs revenue might have to be considered; but that he did not think that such a result would obtain; that we had calculated the revenue loss at most as being between \$50,000 and \$90,000—a very different matter from the \$800,000 to \$1,500,000 shown by the study.

The President then stated that he had ordered that there be drawn up a list of the concessions requested which involved only a small loss of revenue, presumably in order to grant them.

On December 21, 1935, Minister Corrigan called on Dr. Avila, the Acting Minister of Foreign Affairs, to discuss the trade agreement negotiations. Dr. Avila, when asked, said that he had seen the study of our proposals forwarded by the Ministry of Finance, and that he frankly did not understand what advantage would accrue to El Salvador through the signing of a new treaty; that the one now in effect had been signed over severe opposition; that the beneficial effects thereof were only now beginning to be apparent to Salvadorans; that it was working satisfactorily; and that it was difficult to see what could be gained by negotiating a new treaty.

The Minister pointed out that the program of the United States was a world-wide attempt to reestablish former levels of international trade and prices, which El Salvador could and should support; that the benefits accruing to El Salvador through the success of the program would far exceed any immediate gain from any concession we the United States might grant El Salvador, or vice versa. He added that it was simply a question of whether or not El Salvador was going to support this program, unanimously approved by the Conference at Montevideo, which Dr. Avila had attended, and more recently approved by the Economic Committee of the League of Nations; or whether it was to be the only country to refuse its coöperation, by not signing—pointing out the unfavorable effect on the good will of El Salvador's best coffee customer of the latter action. Dr. Avila's reaction was that he had now received a satisfactory explanation of the reasons for negotiating a new treaty; and that of course some treaty could be signed.

The loss of revenue question was discussed, with emphasis on the fallacies in the calculation thereof as contained in the study. Dr. Avila's attention was also drawn to the fact that no attention whatsoever had been paid to the memorandum prepared by this Legation, which was presented to the Ministry of Finance before the submission of its study, but replying to most of the points made therein. A copy of this memorandum was given to Dr. Avila, who assured the Minister that the President should see it. He was also given a copy of the memorandum already presented to the President, attacking the study. He promised to study both documents; and to afford an opportunity

for full, detailed and unofficial discussion of our proposals—an opportunity which has not heretofore been furnished.

On December 27th, Dr. Avila called by appointment at the Legation, to inform the Minister that he had come to bring good news; that he had discussed the trade agreement with the President, who had called the Minister of Finance and instructed him to make the United States a proposition containing as much as he felt he judiciously could, in the way of concessions, without too serious prejudice to the national revenue. This was to be submitted as soon as possible.

The Acting Minister of Foreign Affairs obviously felt optimistic and desired to impart that feeling to Minister Corrigan. He wished to leave the impression that in as much as the President had definitely aligned himself on the side of the trade agreement program, and had so instructed the Minister of Finance, he feels, as does Minister Corrigan, that we may look forward to some definite proposals in the near future. These will be submitted to the Department as soon as received.

Respectfully yours,

FRANK P. CORRIGAN

INFORMAL ASSISTANCE BY THE DEPARTMENT OF STATE TO REPRESENTATIVES OF THE HOLDERS OF SALVADORAN BONDS UNDER THE LOAN CONTRACT OF JUNE 24, 1922²⁰

816.51C39/326

Memorandum by the Assistant Chief of the Division of Latin American Affairs (Beaulac)

WASHINGTON, January 24, 1935.

Mr. Lisman²¹ called on Mr. Wilson²² by appointment. He told him that the letter dated January 22,²³ of which he had sent him a copy on the same date, had left for Salvador by air mail, and he would appreciate it if the Department would instruct Dr. Corrigan²⁴ to informally encourage the Salvadoran Government to accept the modifications to the *ad referendum* agreement of December 21²⁵ outlined in that letter.

Mr. Wilson said that we would be glad to authorize Dr. Corrigan, in the event he saw no objection, to approach the Salvadoran Government informally and, while making it very clear that we were not

²⁰ Continued from *Foreign Relations*, 1934, vol. v, pp. 263-279.

²¹ F. J. Lisman, chairman of the Bondholders Protective Committee for the Republic of El Salvador.

²² Edwin C. Wilson, Chief of the Division of Latin American Affairs.

²³ Not printed.

²⁴ Frank P. Corrigan, American Minister in El Salvador.

²⁵ Not printed; for report on the signing of this temporary agreement, see despatch No. 126, December 22, 1934, *Foreign Relations*, 1934, vol. v, p. 277.

supporting any particular proposal, to express the hope that an agreement might be reached satisfactory to both parties. Mr. Lisman said that this was all he could expect the Department to do in the matter.

Mr. Lisman appeared most anxious that the Salvadoran Government should not terminate its conversations and the temporary agreement on January 31 in the event that the new *ad referendum* arrangement had not been agreed to by that time.

WILLARD L. BEAULAC

816.51C39/323 : Telegram

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

WASHINGTON, January 25, 1935—11 a.m.

4. Department's instruction No. 63, January 11.²⁶ The Chairman of the Bondholders Committee has informed the Department that the Committee addressed a letter to the Salvadoran Minister of Finance on January 22 asking for certain modifications in the agreement of December 21. The Chairman is fearful lest the Salvadoran Government terminate its conversations with the Committee if no definite agreement is reached by the end of January.

In this connection you are authorized, providing you perceive no objection, to approach the Salvadoran Government informally and while making it very clear that this Government is not supporting any particular proposal express the hope that an agreement satisfactory to both parties may be reached.

HULL

816.51C39/334

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

No. 80

WASHINGTON, February 25, 1935.

SIR: It has been noted that paragraph (e) of Section 1 of Article IV of the Deposit Agreement of March 24, 1932,²⁷ under which owners of Salvadoran bonds have deposited them with the Bondholders Protective Committee for the Republic of El Salvador, empowers the Committee to

“Amend, modify or adjust the provisions for payment of the principal and/or interest of the Bonds, or some or all of the provisions of

²⁶ Not printed.

²⁷ Republic of El Salvador, *Deposit Agreement Dated as of March 24, 1932* (n. p., n. d.).

the Loan Contract²⁸ or other instrument, or the rights or powers of any agent or agency bearing upon or connected with the collection of the pledged Customs Revenues, or any tribunal or procedure in respect thereof.”

The Department takes it for granted that the Government of El Salvador, in the event it reaches a revised agreement with the Committee referred to, will wish to omit from the revised agreement any reference involving the Government of the United States or any of its officials.

The Department in that case would not, of course, offer any objection to such omission.

You are authorized to set forth the Department's attitude as outlined, informally and discreetly, to the appropriate officials of the Government of El Salvador should the question arise.

Very truly yours,

For the Secretary of State:
WILLIAM PHILLIPS

816.51C39/333

The Acting Secretary of State to the Chairman of the Bondholders Protective Committee for the Republic of El Salvador (Lisman)

WASHINGTON, February 25, 1935.

SIR: With reference to the assistance which has been given by the American Legation in San Salvador to facilitate conversations between the Government of El Salvador and your Committee, I should be pleased to receive information from you on the following points:

1) Is it contemplated that your Committee will deduct on account of its expenses and compensation 15 per cent of the cash payments made on coupons under the temporary agreement which it is understood is being negotiated at the present time?

2) Does your Committee plan to include in the permanent revised contract it intends to negotiate with the Salvadoran Government any provision for, or otherwise provide for, any deduction on cash payments which may be made under the terms of that contract, and if so, in what amount?

3) Does your Committee, upon the completion of the permanent revised agreement, plan to return to the depositors the bonds it now holds in deposit, and thereupon terminate the Committee's existence?

4) Does your Committee intend to seek the inclusion in the proposed permanent revised agreement of a provision which would have the effect of depriving non-depositing bondholders of whatever bene-

²⁸ For correspondence concerning the loan contract entered into by the Government of El Salvador and Mr. Minor C. Keith on June 24, 1922, see *Foreign Relations*, 1922, vol. II, pp. 885 ff. For the readjustment of this loan contract, see Foreign Bondholders Protective Council, Inc., *Annual Report, 1936* (New York, 1937), p. 373.

fits may accrue from the agreement, or which would tend to prevent them from exercising their rights as bondholders under the original loan contract?

I should be pleased to hear from you in relation to these matters at your early convenience.

Very truly yours,

WILLIAM PHILLIPS

816.51C39/335

The Chairman of the Bondholders Protective Committee for the Republic of El Salvador (Lisman) to the Secretary of State

NEW YORK, March 2, 1935.

[Received March 5.]

DEAR SIR: The Committee has instructed me, in replying to your letter of February 25th, to thank you for the assistance which has been given by the American Legation in San Salvador to facilitate conversations between the Government of El Salvador and this Committee and to inform you as follows on the points mentioned in your letter.

1 and 2. There will be no deductions on account of the expenses and compensation of the Committee, or for any other purpose, to the knowledge of the Committee, from any cash payments to be made on coupons under any temporary or permanent agreement which the Committee is now negotiating or at present intends to negotiate with the Government of El Salvador, but the full amount agreed to be paid by the Government of El Salvador to the Bondholders on such coupons will go directly to the Bondholders without deduction.

3. The Committee plans, upon the completion of the permanent revised agreement, and an assurance that the Government of El Salvador is performing the same, to return the Bonds which are now held on deposit and to terminate its existence. However, pending such assurance, the Committee expects to remain in existence for a limited period in order to ascertain whether or not the Government of El Salvador will perform its obligations under the permanent revised agreement. During this period the bonds now on deposit will remain on deposit, except as the same may be withdrawn by the various Bondholders from time to time pursuant to the provisions of the Deposit Agreements under which the Committee is acting. During this time, if the Government performs its obligations, there will be no charge of any kind to the Bondholders, but the Committee will perform its duties as it sees them during this period. In the event that the Government does not perform its obligations under the new Agreement, the Committee will then be in a position to act promptly on behalf of the Bond-

holders and to save them the large expense which would be necessary to organize a new Committee and to obtain deposits of Bonds. The Committee considers that it owes this duty to the Bondholders and that if it were to return the Bonds and terminate its existence promptly upon the completion of the permanent revised agreement, there would be a great temptation for certain interests to attempt to earn a commission from the Government of El Salvador by inducing it to default on its contract and offer the Bondholders a still lower rate of interest. This the Committee will prevent if it possibly can.

4. The Committee has no intention of attempting to deprive non-depositing Bondholders of any of their rights. It does, however, think that the Government of El Salvador should agree with it that no better terms will be offered to non-depositing Bondholders than are offered to depositing Bondholders. The reason for this is that substantial amounts of all series of Bonds are held in El Salvador, and for political reasons the Government might conceivably, without such an agreement, be willing to make better terms for its own citizens than for American citizens. This the Committee does not wish to see occur.

If the Committee can furnish you any other further information it will be pleased to do so.

Yours very truly,

F. J. LISMAN

816.51C39/337

Memorandum by the Chief of the Division of Latin American Affairs (Wilson)

[WASHINGTON,] March 4, 1935.

Mr. Fred Lavis, of the Bondholders Committee for El Salvador, came in by appointment to talk with Dr. Feis²⁹ and with me. Mr. Lavis said that, in accordance with the terms of the temporary agreement which he had signed with the Salvadoran Government on December 21, 1934, his Committee was preparing a plan for a definitive arrangement which, under the terms of the temporary agreement, had to be submitted to El Salvador by March 15, 1935, and he was planning to go to El Salvador by airplane so as to arrive there by the 15th.

Mr. Lavis then said that his Committee had been concerned at the Department's letter of February 25, 1935, inquiring regarding the deductions the Committee was making from payments received from El Salvador on account of the Committee's expenses. Mr. Lavis said that the Committee had prepared a reply to the Department,^{29a} which should be received in a day or so, advising that it was not planned to

²⁹ Herbert Feis, Economic Adviser.

^{29a} *Supra*.

deduct any further sums for expenses and that the bondholders would not be charged for any further Committee expenses. He said that before proceeding to El Salvador he would like to know whether the Department's letter, which had referred to the assistance given by the Legation in San Salvador in facilitating conversations between El Salvador and his Committee, foreshadowed any change in the attitude of the Legation toward the Committee's efforts to reach an agreement with El Salvador.

We told Mr. Lavis that our letter had been written because bondholders had raised with us the question of the expense they had been put to in connection with the Committee's work. We also said that, as was an open secret, at the time Section [*Title?*] II of the Securities Act³⁰ had been passed, this Department had opposed putting the title into effect because of the unfortunate effect it would have had on our foreign relations. In taking this position, the Department had, of course, assumed some responsibility for seeing that the terms which private protective committees imposed on the bondholders were not unduly onerous and that the bondholders' interests were adequately protected. With such ideas in mind, we had been following very closely the activities of all the bondholders' committees. The foregoing, therefore, together with the fact that our Legation in San Salvador had lent informal efforts to facilitate discussions between this Salvador Committee and the Salvadoran Government, had made it appear to us as necessary to obtain the information requested in our letter.

Mr. Lavis said that he agreed entirely that the Department was entitled to have such information. He said he knew that the Committee had been criticized for allegedly high expenses in the past, but he pointed out that there had originally been two committees both employing "eminent" counsel, and that counsel fees had been by far the largest item of expense, the fees paid members of the Committee being "unimportant". . . .

Mr. Lavis reiterated that there would be no further expenses for the bondholders to pay; that the Committee had sufficient funds on hand to cover any expenses remaining to be paid; that under the new definitive agreement funds would be transmitted by the Salvadoran Government direct to the Paying Agent in New York and not through the Committee; and that the Committee did not intend to deduct the one percent nominal value of the bonds as it was entitled to do under the Deposit Agreement before turning the bonds back to the holders (he said that if the letter, when received from the Committee, does not make this point clear, he will address a supplemental letter to the Department). Mr. Lavis said that the Committee does not

³⁰ 48 Stat. 74, 92.

expect to disband right away; they believe it advisable to maintain their existence for two years or so in order to watch the situation. He said that efforts were being made by a banking house in New York to float a refunding loan for El Salvador at two percent, and the interests of the bondholders would seem to require that the Committee remain in existence for a short time for their protection. However, the only expenses of the Committee would be for the custody of the bonds and the salary of a secretary, and these would be met from funds on hand. He said that as soon as sinking fund payments began under the Definitive Agreement in 1937, he would feel that the Committee could safely disband.

In answer to an inquiry whether non-depositing bondholders would be entitled to share in the benefits of the new definitive plan, Mr. Lavis said that it was the desire of the Committee that they should so benefit, but that there were technical difficulties regarding the registration of certificates of deposit which were not entirely clear to him, and which he could not endeavor to explain. He said, however, definitely, that the Committee did not desire to shut out any non-depositing bondholders from the benefits that would be available under the new Definitive Agreement. In answer to an inquiry from Mr. Lavis, we said to him that, on the basis of the information which he had furnished to the effect that there would be no further expense to be borne by the bondholders or further deductions from payments received from El Salvador by the Committee, we saw no reason why the Legation at San Salvador should not continue, if this appeared advisable, to facilitate informal discussions between the Committee and the Government looking to a mutually satisfactory agreement. We made it clear, of course, that the Legation could not assume any responsibility for the terms of any specific proposal, but that any informal assistance which the Minister might feel it desirable to give would be, as in the past, confined to the mere facilitation of discussions. Mr. Lavis said that he appreciated our position fully.

816.51C39/336

The Chairman of the Bondholders Protective Committee for the Republic of El Salvador (Lisman) to the Secretary of State

NEW YORK, March 6, 1935.

[Received March 7.]

DEAR SIR: We wish to thank you for the assurances given to our Mr. Lavis by the Department of State to the effect that the Department would continue its cooperative attitude and policy towards this

Committee. We understand that you have asked whether the Committee proposes to avail itself of the lien of 1% of the face amount of the deposited bonds, as provided in the Deposit Agreement, when and as the bonds are returned to the holders.

We wish to point out that the Committee plans to make no further charge against the bondholders either by way of deduction or pursuant to the provisions of the Deposit Agreement upon return of the bonds. If the Government of El Salvador enters into the proposed Readjustment Agreement and performs its obligations thereunder, there will be no necessity for the Committee to make any further charge against the bondholders. The Committee is not acting for profit and only desires to have its necessary expenses and its own nominal fees covered. It has no use for additional funds. Of course, if the Government of El Salvador does not perform its obligations under or with respect to the proposed Readjustment Agreement, and the matter should require protracted litigation and other expenses, it may be the duty of the Committee to take action which would require further expense to the bondholders. This, however, is not contemplated and will not occur except under most unusual circumstances.

Very truly yours,

F. J. LISMAN

816.51C39/344 : Telegram

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

WASHINGTON, April 5, 1935—1 p.m.

17. Department's instruction No. 87, March 20.⁸¹ The Department is informing the Bondholders Protective Committee that it assumes that the Committee is willing to give the Department prompt assurance not only that no provision will be embodied in any agreement which the Committee may reach with the Republic of El Salvador which will prevent non-depositing bondholders from receiving no less favorable treatment than depositing bondholders, without having to wait until the maturity of their bonds to receive the payments on their coupons, but that on the other hand such non-depositing bondholders will be assured of no less favorable treatment than that given to depositing bondholders.

You are authorized to communicate the above orally to the appropriate authorities of the Government of El Salvador and to the Committee's representative in San Salvador.

HULL

⁸¹ Not printed.

S16.51C39/368

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

No. 231

SAN SALVADOR, April 30, 1935.

[Received May 6.]

SIR: I have the honor to refer to my telegram No. 24, dated today,³² informing the Department that the negotiations between the Salvadoran Government and Mr. Fred Lavis, representing the Bondholders' Protective Committee of New York in the matter of the proposed revision of the 1922 Loan Contract, have apparently reached an impasse, and asking instructions from the Department as to any action it might deem desirable on the part of the Legation.

Mr. Lavis called at the Legation yesterday and stated that the Government so far has shown no indication of a willingness to recede from its position as given in the Memorial of the Ministry of Finance dated April 2 and enclosed with my despatch No. 210 of April 12, 1935,³³ a position whose fundamental point is its demand for interest rates of 3 per cent on bonds of the "A" series and 2 per cent on those of the "B" and "C" series. The most recent communication Mr. Lavis has received from the Minister of Finance, dated April 24, includes the following paragraph:

"I close this note by informing you that we must confirm and maintain in its entirety the Memorial of April 2 as regards the interest rates, after whose acceptance by the bondholders the revision of the Contract may be begun, modifying certain clauses and giving the whole agreement the suitable legal form."

Mr. Lavis, orally and in a letter dated April 25, has informed the Legation that he has been definitely instructed by the Committee in New York and the Council in London that these rates are unacceptable. (Mr. Lavis' letter, and a translation of that from the Minister of Finance referred to above are enclosed³³).

The Government has also refused a suggestion advanced by Mr. Lavis that the Temporary Agreement made in May 1933³⁴ be extended for another two years, on the grounds that a further issue of deferred interest certificates would be too heavy a burden on the country.

Mr. Lavis feels that there is small hope for any change of position on the Government's part as the result of any additional arguments or appeals he could make. He has engaged a passage to New York on the Grace Line ship sailing May 11.

³² Not printed.

³³ Neither printed.

³⁴ Signed *ad referendum* April 5; final draft signed May 6, 1933, *Diario Oficial*, May 20, 1933, p. 1021.

The situation accordingly is now at substantially the same point that Mr. Lavis' conversations with the Salvadoran Government on the extension of the present Temporary Agreement had reached in the middle of December 1934. In my telegram sent today I have referred to my despatch No. 126 of December 22, 1934,³⁵ explaining how on that occasion I decided that it would be compatible with the Department's instructions, and particularly with instruction No. 39 of October 19, 1934,³⁶ for me to call on the Minister for Foreign Affairs and in an entirely informal way call his attention to the desirability of reaching an agreement with the bondholders, which, by persuading the Government to give the matter further consideration, may have facilitated the agreement which was subsequently made on December 22, 1934.

In accordance with the Department's instruction No. 82 of March 6, 1935,³⁷ and the enclosed memorandum of a conversation held in the Department with Mr. Lavis, the Legation has exercised great care to take no part in the current negotiations, other than the action taken at the direction of the Department's telegram No. 17 of April 5, 1935, of orally bringing to the attention of the Government and of Mr. Lavis the Department's understanding that non-depositing bondholders would be assured of no less favorable treatment under a revised agreement than the depositing bondholders, and a comment made to Doctor Avila, Subsecretary of Foreign Affairs, in the course of an informal conversation on the Loan, on the basis of the Department's instruction No. 80 of February 25, 1935, regarding the omission of any reference involving the American Government or any of its officials from a revised agreement.

It is the belief of the Legation that it would be desirable from the standpoint of American relations with El Salvador, and in line with the Department's policy, if a satisfactory and permanent disposition could be made of the question of the 1922 Loan Contract. There is no certainty that any informal and friendly action the Legation could properly take would achieve this result, but in view of the belief referred to, and of the desirability of the execution of a new agreement not involving "the Government of the United States or any of its officials" (to quote the Department's instruction No. 80 of February 25, 1935), it was decided to ask the Department for additional instructions.

Respectfully yours,

FRANK P. CORRIGAN

³⁵ *Foreign Relations*, 1934, vol. v, p. 277.

³⁶ *Ibid.*, p. 274.

³⁷ Not printed; it transmitted copies of the Department's letter of February 25 to the Bondholders Protective Committee and the memorandum of March 4 by the Chief of the Division of Latin American Affairs.

816.51C39/365 : Telegram

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

WASHINGTON, May 4, 1935—2 p.m.

27. Your telegram 24, April 30, noon.³⁸ You may in your discretion, and without expressing an opinion concerning any proposal, express informally to the Minister of Foreign Affairs the hope that the present negotiations may lead to an agreement satisfactory to both parties.

HULL

816.51C39/378

Memorandum by the Chief of the Division of Latin American Affairs (Wilson)

[WASHINGTON,] May 9, 1935.

Mr. R. W. Hebard, of the Salvador Bondholders Committee, called today. He stated that he had recently returned from Salvador, where he had been struck by the campaign in the Salvador press, evidently inspired by the Government, against any reasonable settlement with the bondholders. He said that reports from Mr. Lavis indicated that a virtual impasse had been reached and that the Committee had requested him to inform the Department of this and ask if the Department could not take some action in support of the Committee. He went on to say that the agreement signed last December had been proposed by the Salvador Finance Minister, Menéndez-Castro; it provided roughly for 45% of the interest payable under the 1922 loan contract during the years 1935-36, and between 65% and 70% thereafter. The Salvadoran Government, through the present Finance Minister, Señor Samayoa, now insisted it could pay no more than 3% on the A bonds and 2% on the B's and C's, which would mean about 40% of what the Government was required to pay under the loan contract. Salvador alleges poor coffee prices and depreciated income, whereas the governmental income is actually higher than for corresponding months a year ago. Mr. Hebard said that the Committee did not feel that on the basis of temporarily reduced coffee prices it could make a permanent agreement accepting the low figures offered by Salvador. The British Council of Foreign Bondholders was definitely of the same opinion.

I said to Mr. Hebard that it was the policy of this Department in these defaulted bond situations not to participate in the actual negotia-

³⁸ Not printed.

tions, leaving such negotiations to the creditors and the foreign government, but to facilitate discussions between the creditors' representatives and the government. I recalled that last December when the Committee advised us that an impasse had been reached Dr. Corrigan had expressed to the Salvadoran Government his hope that a mutually satisfactory agreement might be worked out. This interest evinced by Dr. Corrigan had possibly been of some benefit, and in any case the December agreement was eventually signed. I told Mr Hebard that recently Dr. Corrigan had reported that the negotiations again had practically broken down; we had authorized him again to express the hope that an agreement satisfactory to both parties might be worked out. We had not heard from Dr. Corrigan as to the result of any talk he may have had along these lines with the Foreign Office, and I felt that at least for the time being, until we heard from Dr. Corrigan, there was nothing further which we could do. Mr. Hebard said that he was glad to know of the fact that Dr. Corrigan had been authorized to express interest in a mutually satisfactory settlement and he agreed that this was all that the Department could appropriately do in the matter.

I mentioned that I had seen in a recent report from Dr. Corrigan that Mr. Lavis was planning to leave Salvador by steamer on May 11, and asked if Mr. Hebard had any word regarding this. Mr. Hebard said, no, but he was certain that Mr. Lavis did not in fact intend to leave on May 11, since the Committee would have been informed.

EDWIN C. WILSON

816.51C39/373

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

No. 245

SAN SALVADOR, May 11, 1935.

[Received May 15.]

SIR: I have the honor to refer to my despatch No. 235 of May 6, 1935,³⁹ regarding the conversations in progress in San Salvador between the Government and Mr. Fred Lavis, representative of the Bondholders' Protective Committee in the matter of the 1922 Loan Contract, and to my telegram No. 29 of May 10, 1935,³⁹ and to report that Mr. Lavis came to the Legation yesterday to inform me that he was leaving by the SS *Santa Paula* on May 11 for New York without having been able to arrive at a readjustment of the Loan Contract with the Salvadoran Government. He expressed the opinion that further negotiations with respect to the matter in San Salvador would not bring results, because the Government in seven weeks had not

³⁹ Not printed.

modified its first proposal, i.e., 3% on the "A" bonds, 2% on the "B" bonds, and 2% on the "C" bonds. He had therefore, after an unsatisfactory interview with President Martínez, proposed to the Government that the negotiations should be transferred to New York or Washington. He felt that the state of public opinion in El Salvador, developed by an acrimonious newspaper campaign, precluded hope of concluding a satisfactory agreement.

Before his departure this morning, Mr. Lavis sent me copies of his most recent correspondence with the Ministry of Finance (Dr. Samayoa's letters to him of May 8 and 10, and his reply dated today), and translations of it are enclosed ⁴⁰ in order to bring the Department's information on the subject up to date.

Respectfully yours,

FRANK P. CORRIGAN

816.51C39/414a : Telegram

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

WASHINGTON, October 7, 1935—7 p.m.

43. The Securities and Exchange Commission, through a special committee, is making a study of the whole problem of re-organization, refunding and readjustment of debt both as regards domestic obligations and foreign securities. It has been carrying on this investigation for months and has studied a great variety of domestic situations. From time to time it holds public hearings. Its purpose is to report upon the adequacy and workability of the present machinery and law for handling these situations.

In the course of its investigation of the handling of the default and re-adjustment situations that have arisen in the foreign field, it has gone thoroughly into the record of the activities of all bondholders protective committees, and is now engaged in an examination of the Salvadoran situation. The Department has been working in cooperation with the Commission which will do its utmost to guard against any episode in the investigation which might affect relations between this Government and the Salvadoran Government or prejudice the interests of the bondholders. The Commission will open a public hearing upon the Salvadoran situation at 10 o'clock Thursday morning. In the event that reports of this hearing create comment in Salvador, will you explain to the Government the nature of the broad investigation undertaken by the Commission, emphasizing that it is covering the whole of the domestic as well as the foreign field, and make clear that the study of the Salvadoran situation is only one small fraction of the Commission's study.

⁴⁰ Not printed.

Will you kindly immediately transmit to the Department by air-mail all comment that may appear in the Salvadoran press regarding these hearings and cable any comment that may seem to you important as affecting either our relations with the Salvadoran Government or the interests of the bondholders.

HULL

816.51C39/415

Memorandum by the Secretary of State of a Conversation With the Salvadoran Minister (Castro)

[WASHINGTON,] October 9, 1935.

The Minister of El Salvador came in to say goodbye before returning to his country on a two months' trip. He expects to return to Washington around the first of December.

The Minister casually referred to the fact that he and his Government had been engaged in conferences with representatives of American holders of Salvadoran bonds, with the view to working out proper and reasonable adjustments; that the Committee with which he had been conferring was not the Committee presided over by Mr. Reuben Clark;⁴¹ that he had been striving for three months to get somewhere with the matter; and that he was returning home in large measure to report to his Government with respect to the entire problem.

I then earnestly sought to stimulate increased interest on the part of the Minister and his Government in an early trade agreement between our countries.^{41a} He professed all sorts of interest and an earnest disposition to cooperate.

C[ORDELL] H[ULL]

816.51C39/427

Memorandum by the Chief of the Division of Latin American Affairs (Duggan)

[WASHINGTON,] December 5, 1935.

Mr. Fred Lavis, of the Bondholders Protective Committee for the Republic of El Salvador, called on Mr. Welles.⁴² Mr. Duggan was present.

Mr. Lavis stated that the negotiations with the Salvadoran Government have reached a point where insofar as interest is concerned

⁴¹ J. Reuben Clark, President of the Foreign Bondholders Protective Council, New York.

^{41a} See pp. 539 ff.

⁴² Sumner Welles, Assistant Secretary of State.

the two parties are not far apart. He said that the Salvadoran Government offers 4 percent interest on the total issue, or \$680,000 per annum, whereas his Committee desires a payment of \$710,000. Instead of a flat interest rate of 4 percent on all issues, his Committee has in mind a scheme that would result in the following approximate interest rates: 6 percent on the A loan; 4 percent on the B loan and $3\frac{3}{4}$ percent on the C loan. With regard to the sinking fund, Mr. Lavis said that the Government wanted to apply only about \$50,000 a year, whereas his Committee desired around \$200,000 to \$250,000. He said that it had been pointed out to the Salvadoran authorities that the larger amount would be in their interest, but if there was continued opposition by the Government to this amount the Committee would be prepared to considerably reduce its proposal. Mr. Lavis said that he wished to present this information to the Department with the thought in mind that possibly the Legation at San Salvador might be instructed informally to state to the Salvadoran authorities upon appropriate occasion that the American Government hoped that the small difference between the two parties to the negotiations could be satisfactorily adjusted.

Mr. Welles replied that, pending the outcome of discussions with the Salvadoran Minister, he would prefer not to state what action, if any, the Department would take.

Mr. Lavis then stated that the hearings before the S. E. C.⁴³ had created some doubt in the minds of the Salvadoran Government as to the standing of his Committee and that it would be helpful if the Department could see its way to inform the Government of the nature of the investigation of the S. E. C. and of its findings insofar as his Committee was concerned.

Mr. Welles replied that, as Mr. Lavis knew, the Department had no preference between committees and therefore he did not think it was appropriate for the Department to indicate to the Salvadoran Government its opinion as to the Committee. He stated that if the S. E. C. wished to inform the Department its opinion as to the standing of the Committee he would be glad to transmit this statement to the Salvadoran authorities.

L[AURENCE] D[UGGAN]

816.51C39/426

The Salvadoran Minister (Castro) to the Secretary of State

[Translation]

WASHINGTON, December 7, 1935.

EXCELLENCY: My Government has held recent conversations with several members of the Bondholders Protective Committee for the

⁴³ Securities and Exchange Commission.

Republic of El Salvador, seeking to obtain an arrangement on the foreign public debt of El Salvador.

As reports have been published in the United States press concerning the investigation conducted by the Securities and Exchange Commission regarding the activities of the above mentioned Committee and other Committees representing Bondholders who are citizens of the United States, my Government, before continuing the conversations for the purpose indicated with the Committee I mentioned, has sent me instructions to ascertain what is now the legal situation of the said Committee as a result of the investigation to which reference was made.

I should appreciate any information that Your Excellency could communicate to me on the present legal situation of the Bondholders Protective Committee for the Republic of El Salvador. This note is sent to Your Excellency after an interview had by the undersigned with the Honorable Sumner Welles, Assistant Secretary of State, on this same question, Mr. Welles being already informed that the present communication would be sent to Your Excellency requesting the information to which I referred.

I thank Your Excellency for the cooperation that you may be able to give me in this matter.

I renew [etc.]

HECTOR DAVID CASTRO

816.51C39/425

The Secretary of State to the Salvadoran Minister (Castro)

WASHINGTON, December 12, 1935.

SIR: I have the honor to transcribe herewith for your information the substance of a communication addressed to the Department of State on December 6, 1935, by the Chairman of the Securities and Exchange Commission, with reference to the nature and object of the hearing held before that Commission in the matter of protective committees for the Republic of El Salvador:

"We are informed that there is some doubt in the minds of officials of the Government of El Salvador respecting the precise nature and object of the hearing held before this Commission in the matter of protective committees for the Republic of El Salvador.

"This hearing was a routine proceeding in the course of a study and investigation of protective committees which this Commission is directed to make pursuant to the Securities Act of 1933,⁴⁴ as amended by Section 211 of the Securities Exchange Act of 1934.⁴⁵ Hearings similar to that held in this matter have taken place with respect to

⁴⁴ 48 Stat. 74.

⁴⁵ 48 Stat. 881, 909.

many other protective committees for both foreign and domestic securities. The objective of these hearings is to accumulate complete and detailed information concerning the practices of protective committees as a basis for a report to the Congress of the United States concerning their functions and activities. These hearings are not designed merely to expose culpable practices of committees but to furnish a complete record of their theory and operations. They in no way affect the legal standing of the committees concerned.

"It is, of course, impossible to say at this time whether any legislation will be recommended to the Congress, and if so, what form that legislation will take. The Commission has made no findings as a result of any of these hearings and no report will be made to any governmental authority until the final report is made to Congress. This final report will cover the activities and functions of all protective committees in all fields, foreign and domestic."

Accept [etc.]

For the Secretary of State:
SUMNER WELLES

GUATEMALA

NEGOTIATIONS RESPECTING A RECIPROCAL TRADE AGREEMENT BETWEEN THE UNITED STATES AND GUATEMALA¹

611.1431/87a

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

No. 142

WASHINGTON, January 29, 1935.

SIR: I am transmitting herewith, for presentation to the Guatemalan Foreign Minister,² a list of concessions and assurances which the United States is seeking from Guatemala in connection with the proposed trade agreement between the two countries. This list, which is entitled Schedule I,³ should be presented together with an *aide-mémoire*, the text of which is furnished you in Enclosure 2 of this instruction.

Please take such steps as may be appropriate to expedite the receipt of Guatemala's proposals and suggestions, and keep the Department fully informed concerning all developments.

Very truly yours,

For the Secretary of State:
FRANCIS B. SAYRE

[Enclosure]

*Text of "Aide-Mémoire" To Be Presented to the Guatemalan Minister
for Foreign Affairs*

Attached to this memorandum is a Schedule listing certain commodities exported by the United States to Guatemala on which the United States is interested in obtaining concessions in connection with the proposed trade agreement between the two countries.

¹For previous correspondence see *Foreign Relations*, 1934, vol. v, pp. 280 ff.

²A. Skinner Klée.

³Not printed. On the same date, with instructions Nos. 143 and 144, the Department also sent the Minister in Guatemala a copy of a report on Schedule I prepared by the Country Committee on Trade Agreements with Central America, and a copy of a report on textiles by the subcommittee on textiles. With instruction No. 149, February 8, the Department transmitted a copy of a report entitled "Foreign Trade of Guatemala with Special Reference to Schedule Two," indicating what concessions it might be possible to offer to Guatemala. (611.1431/87b, 87c, 89b)

It will be noted that a considerable number of the items on the Schedule are simply requests to the effect that the Guatemalan Government will not increase the present import duty on the articles in question during the life of the proposed agreement, while requests for reductions in present duties have been made in a number of other instances. It should be pointed out, in this connection, that the reduction in duty requested in the attached Schedule on passenger automobiles and chassis is not regarded by the United States Government as a concession, since the duty on these items was increased by the Guatemalan Government in September, 1934, after the United States and Guatemala had agreed to negotiate the present trade agreement.

The Guatemalan Government's attention is invited to the notes included in the attached Schedule following items 212-2-05-01, 223-3-03-01,⁴ 428-5-02-01,⁴ and 493-2-01-06.

In describing the articles in the attached Schedule every effort has been exerted to make the nomenclature correspond as closely as possible with that employed in the Guatemalan customs tariff. Very few departures therefrom were found to be necessary and these have been suggested solely in order to specify with a maximum of exactitude the precise character or type of the commodity or commodities in which the United States is interested in the particular cases concerned. It will likewise be noted that changes in the basis for determining import duty are sought in only three instances, namely, items 212-3-01-01, 471-1-03-02 and 471-1-03-03.

In no case has a preferential tariff rate been requested for products of the United States as compared with similar products from any third country.

The attached Schedule is being submitted at this time in order to give the Guatemalan Government ample time to study these proposals. It is further understood that the Government of the United States reserves the privilege of suggesting such changes in this Schedule as may on further consideration seem desirable prior to their final approval by both Governments.

The United States Government expects in the near future to submit a preliminary draft of the General Provisions which will accompany the Schedules setting forth the concessions reciprocally granted by the United States and Guatemala, and, which, together with the Schedules, will constitute the trade agreement which, it is hoped, will be approved within a short time by the two Governments.

⁴ In despatch No. 531, February 11, the Minister in Guatemala reported that, as this item did not appear in Schedule I, he had omitted reference to it when transmitting the *aide-mémoire* to the Minister for Foreign Affairs (611.1431/90).

The Government of the United States is prepared to receive and give serious consideration to any proposals which the Guatemalan Government may choose to present in connection with possible tariff concessions which this Government might grant on products exported by Guatemala to the United States of America and any other proposals which the Guatemalan Government might wish to have considered in connection with the proposed trade agreement.

611.1431/91a

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

No. 157

WASHINGTON, February 18, 1935.

SIR: With reference to the Department's instruction No. 142, of January 29, 1935, transmitting a list of concessions and assurances which this Government is seeking from Guatemala in connection with the proposed trade agreement between the two countries, I am now enclosing a draft of the General Provisions⁵ which the United States desires to have incorporated into the trade agreement. There are also enclosed two copies of an informal Spanish translation of the General Provisions.

Please present the English draft of these provisions to the Guatemalan Government, together with an *aide-mémoire*,⁶ the text of which is furnished in Enclosure No. 3 of this instruction. You may likewise, in your discretion, supply the Foreign Minister with a copy of the provisions translated into Spanish, making it clear, however, that the translation is informal and unofficial, and that it is furnished solely for the Guatemalan Government's convenience.

Very truly yours,

For the Secretary of State:

FRANCIS B. SAYRE

611.1431/97c: Telegram

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

WASHINGTON, April 18, 1935—6 p.m.

9. Please report by air mail whether you expect any action by the Guatemalan Government on the trade agreement in the near future and if no action appears imminent, whether there is any feasible way in your opinion whereby progress can be expedited?

HULL

⁵ For text of the Standard General Provisions, see vol. I, p. 541.

⁶ Not printed.

611.1431/99 : Telegram

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

GUATEMALA, April 27, 1935—1 p.m.

[Received 3:50 p.m.]

15. Department's telegram No. 9, April 18, 6 p.m. Minister of Hacienda has completed report on proposed trade agreement and I will receive copy next week. I understand it is in general unfavorable mainly because of reduction in customs revenues without any offsetting advantage.

HANNA

611.1431/103

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

No. 621

GUATEMALA, May 2, 1935.

[Received May 8.]

Sir: Supplementing my despatch No. 618 of April 30, 1935,⁸ I have the honor to transmit herewith a copy and translation of a communication⁸ concerning the proposed trade agreement addressed by the Minister of Hacienda and Public Credit on April 24, 1935, to the Minister of Foreign Affairs, and a copy and translation of the enclosures thereto consisting of a report⁸ from the office of the Director General of Public Health, dated April 6, 1935, and a communication dated March 19, 1935,⁸ addressed to the Ministry of Hacienda by the Director General of Customs transmitting the report of the Committee to which the proposed trade agreement had been referred for study, together with copies and translations of the enclosures⁸ to the latter report, excepting tables Nos. 1 and 2 and communication No. 142 from the Section of Provisions which have not yet been received from the Ministry of Foreign Affairs. The copies and translations were prepared in the office of the Consulate General.

As the enclosed documents will doubtless be subjected to a searching examination and analysis by the Department's appropriate committees, I will not submit a detailed study thereof. I will merely point out a few of the opinions expressed in the documents by way of indicating the unfavorable attitude of the authorities here who have studied the Project.

The Minister of Hacienda, in his letter of April 24 forwarding the various documents in reference, stated that "to accept the Project as it is submitted would impair the public services . . .⁹ without any

⁸ Not printed.

⁹ Omission indicated in the original despatch.

compensating advantages for Guatemala being embodied in the Project". He states further that "the benefits that the United States would obtain by signing the agreement would be insignificant if they are compared with the enormous volume of its foreign commerce and development of its economic potentiality, while for Guatemala, which is a country with few resources and rather poor agricultural economy, the losses would be decidedly onerous".

The Committee to which the Project was referred for study pointed out in its enclosed report dated March 19, 1935, as one of its principal objections, that the annual reductions in the fiscal revenues if the agreement were accepted would be a minimum of Q316,373.59, and that probable increases in the importations from the United States in the same ratio that they would decrease from other countries might increase this amount to a maximum of Q410,952.32, which might be still further increased if the general importation of articles covered by the agreement should increase during the period of three years it would be in force.

The Committee pointed out in the same report as a further serious objection that "the rates which it is suggested to lower are at the present time the support of our principal industries, such as the manufacture of crude and colored cotton goods, the production of wheat and flour, the manufacture of cotton shirts and of socks and stockings of natural silk, as well as the preparation of ham, bacon, sausage, and casings in general . . .¹⁰ We believe that it is not exaggerated to think that the reduction of such rates would be fatal to our industrialists and manufacturers, who probably would have to close their factories thereby leaving a considerable number of workers without work and permitting the selling price of the products to increase for lack of competition".

In forwarding the Committee's report, the Director General of Customs stated in his enclosed communication of March 19, 1935, that he could "but indorse in each and every point the information given, especially as it is not necessary to be an authority on the subject to understand how serious it would be for the country to accept such a proposed agreement".

It is to be noted particularly that, with the exception of one item, the Committee has rejected for reasons which are stated in its report all the reductions proposed in the agreement. The excepted item is impure cotton-seed oil concerning which there was no importation to Guatemala in the year 1934.

It is noted also that the Committee declined to concur in any of the proposals to bind existing tariff rates.

¹⁰ Omission indicated in the original despatch.

With respect to compensating concessions that the Government of the United States might grant to Guatemala, the Committee stated that it refrained from presenting a study or submitting a proposal with regard thereto because it considered that "in the condition in which the proposed agreement has been presented it will not be accepted by our Government".

Respectfully yours,

MATTHEW E. HANNA

611.1431/105

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

No. 637

GUATEMALA, May 7, 1935.

[Received May 13.]

SIR: I have the honor to report that when I saw the Minister for Foreign Affairs today he brought up the subject of the proposed trade agreement and said that it would be disastrous for Guatemala just now, when it is feeling the full force of the world economic crisis, to sacrifice its customs revenues as proposed in the agreement.

I told him that the negotiations probably would have been expedited if this Government had submitted with its reply to our proposal a statement of the concessions and assurances it might desire to ask of the United States. His reply was to the effect that it had seemed futile to do so in view of the fact that over 99 percent of Guatemalan exports to the United States, of which some 95 percent are bananas and coffee, are free of duty, and of the further fact that the United States appeared to be unable to find a way to open a broader and more favorable market for Guatemalan coffee. He did not appear to attach much importance to binding coffee and bananas on the free list.

He then said that if the United States, through some existing agency or one to be created, could implement an arrangement which would guarantee a market for Guatemala's coffee at a favorable price, the benefit to Guatemala might compensate for a reasonable sacrifice of revenue by Guatemala. He added that he could think of no other concession which would be of any great benefit to this country.

He told me in the course of our conversation of a proposal the Italian Government has made recently to this Government to take 50,000 quintals of coffee annually in return for tariff concessions on Italian wines and other merchandise exported to Guatemala. I understand from what he told me that this proposal is now being considered here.

I gather from my conversation with the Foreign Minister today, and other conversations I have had since this Government submitted its report on the proposed trade agreement, that while there has been and probably still is a sincere desire here to find a mutually beneficial

trade agreement, the present attitude is that Guatemala can gain little or nothing from the agreement if the United States can find no way to help her to market her coffee at a profit.

Respectfully yours,

MATTHEW E. HANNA

611.1431/108a

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

No. 198

WASHINGTON, May 21, 1935.

SIR: The receipt is acknowledged of your despatch No. 618 of April 30, 1935,¹¹ and its enclosures, which constitute Guatemala's reply to your memorandum transmitting requests from this Government for concessions from Guatemala to be included in the proposed trade agreement with that Government. The reply of Guatemala will receive the careful attention of this Government and detailed comments thereon will be transmitted to you at an early date. Meanwhile, the Department wishes to set forth a number of considerations which you should find an opportunity to present orally to President Ubico and the Minister of Foreign Affairs and possibly to other officials of the Guatemalan Government concerned.

Guatemala is apprehensive lest by granting the concessions requested it reduce its customs revenues below a point where it can meet its budgetary needs. You should explain to the Guatemalan officials that it is not the desire of the United States that any government with which it may negotiate should grant concessions calculated to deprive that Government of needed revenues. In this connection, however, it should be borne in mind that the trade agreements program is aimed, through reciprocal lowering of tariff barriers, at an increase in total world trade, and it is confidently expected, therefore, that individual reductions in duties on properly selected commodities will not result in reduced revenues. On the contrary, it is believed that in many cases a positive increase in revenues will result. In drawing up its list of concessions to be asked, this Government had constantly in mind the desirability of selecting those articles the market for which was capable of expansion in such manner that total revenues from their importation would probably not be diminished. Consequently, while this Government will be pleased to reconsider its specific requests from the point of view of the revenues of Guatemala, it hopes that the Guatemalan Government, when an endeavor is made to conciliate

¹¹ Not printed; the despatch stated that: "The principal objection of the Minister of Hacienda appears to be that the proposed reductions in tariff rates on importations to Guatemala from the United States would result in a 30% reduction in Guatemala's customs revenues 'without any compensating advantage for Guatemala being stipulated in the Project.'" (611.1431/102)

the points of view with reference to the items included in Schedule I, will bear in mind the possibility that increased imports will compensate for whatever reductions in duties may be granted.

As already noted, the trade agreements program, to the principles of which Guatemala subscribed at the last Pan American Conference, in Montevideo, has as its object an increase in total world trade. In line with this objective the United States is not asking exclusive concessions of any government, as the Guatemalan Government appears to believe, but prefers that any reductions in duties conceded to it be generalized to all other countries.

It is noted that Guatemala does not consider that it can obtain from the trade agreement any advantages which would compensate it for the concessions which this Government desires.

When it is recalled that Guatemala's principal export products, coffee, bananas and unprocessed chicle, already enter the United States free of duty, it is obvious that this Government is not in a position to grant Guatemala further concessions of importance in the form of reductions in customs duties.

This does not mean, however, that Guatemala cannot expect to derive advantage from the trade agreement. The willingness of this Government to guarantee that bananas, coffee and chicle will be maintained on the free list as far as Guatemala is concerned, during the life of the agreement, is a commitment of real value to Guatemala and to its exporters, to whom few free markets for their products remain. The possibility that the United States Congress may remove the products in which Guatemala is interested from the free list is by no means as remote as it is apparently considered to be in Guatemala.

More important than any immediate advantage to be derived out of the trade agreement, however, are the advantages which Guatemala will derive from the success of the trade agreements program in general. This Government is convinced that if the other countries of the world will cooperate with the United States in making the trade agreements program a success, Guatemala will ultimately obtain advantages much broader and of far greater importance to its vital economic interests than it could obtain from any reduction this Government might grant in customs duties, were such duties in fact being applied on its principal products.

Guatemala is well aware of the growing tendency on the part of nations throughout the world to interfere with normal trade by creating arbitrary hindrances and barriers. Guatemala's coffee trade has already been affected adversely by obstructive measures of the character suggested, placed in effect by certain European countries, formerly important markets. It is apparent that unless the tendency referred to is reversed, still further obstacles to trade may be placed,

not only by those European countries but by other countries as well, and Guatemala will be exposed to further injury and possibly complete loss of other profitable markets.

In the United States today, not only do Guatemala's principal export products enter free of duty, but they are not subjected to exchange restrictions, quotas, or other arbitrary hindrances to their free sale. In fact, the United States is the only large market in the world in which Guatemala's principal products are allowed to enter free of duty and without restriction. It is the purpose of this Government to insure, through its trade agreements program, that this market will remain open to Guatemala and it is hoped, with progress on the trade agreements program, that other markets now closed to Guatemala will be gradually reopened. This Government, therefore, considers that if it is successful in its program, and it has every reason to believe that it will be, since support from other governments has already been forthcoming in generous measure, it will have secured for Guatemala advantages of greater importance than the advantages which this Government expects to derive out of whatever immediate concessions Guatemala may agree to accord it.

In summary, this Government is endeavoring, through its trade agreements program, to remove artificial hindrances which constitute such a serious threat to trade throughout the world. It is evident that Guatemala, because of the vital importance to it of its export trade, is deeply concerned in the success of this program. With this in mind, and having in mind also the possible further injury to Guatemala's trade, and to its entire national economy should the tendency to erect barriers to the free exchange of goods be allowed to continue, and especially should the United States, in self-defense, be forced to erect similar barriers, this Government is confident that Guatemala will be anxious to cooperate to the extent it is possible for it to do so in insuring the success of the trade agreements program by making the concessions it reasonably can, in connection with the proposed trade agreement.

With reference to the impression that officials of the Guatemalan Government appear to have that the United States is requesting Guatemala to forego its requirements for certificates attesting the purity of foods, drugs, et cetera, it should be made clear that the United States is requesting only that Guatemala not require the furnishing of certificates of an agency of the Federal Government when no Federal agency is authorized by law to issue such certificates, without prejudice, of course, to Guatemala's right to demand the presentation of such other evidence as it at present requires or that exporters of the United States are in a position to furnish.

Very truly yours,

For the Secretary of State:
FRANCIS B. SAYRE

611.1431/109a : Telegram

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

WASHINGTON, June 3, 1935—3 p.m.

18. The Department is anxious to clarify situation on the proposed trade agreement with Guatemala before your departure on leave. Please cable reaction to the Department's instruction 198 of May 21.

HULL

611.1431/110 : Telegram

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

GUATEMALA, June 3, 1935—5 p.m.

[Received 6:38 p.m.]

28. Department's telegram No. 18, June 3, 3 p.m. I have discussed the matter fully with President Ubico and the Minister for Foreign Affairs. They were noncommittal concerning details but expressed sympathy with the broad purposes of the trade agreement program and this Government's desire to cooperate in a further effort to reconcile divergent points of view. I have an engagement to see the Minister of Hacienda and the Chief of Customs tomorrow and I will cable their attitude.

I will report by air mail before my departure.

HANNA

611.1431/111 : Telegram

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

GUATEMALA, June 4, 1935—3 p.m.

[Received 3:45 p.m.]

29. My telegram No. 28, June 3, 5 p.m. The Minister of Hacienda and Chief of Customs are quite friendly and desire to continue to cooperate but they seem to think Guatemala should not agree to material reduction of customs receipts at this time without some immediate and direct compensating advantage.

No one here has suggested any compensating advantage other than control of contraband trade in chicle. They naturally would welcome some concession for the Guatemalan coffee but appear to look upon that as impracticable.

HANNA

611.1431/114

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

No. 671

GUATEMALA, June 4, 1935.

[Received June 10.]

SIR: Confirming my telegrams No. 28, June 3, 5 p.m., and No. 29, June 4, 1 [3] p.m., I have the honor to report that I have orally presented to President Ubico, the Minister for Foreign Affairs, the Minister of Hacienda, and the Collector General of Customs the considerations concerning the proposed trade agreement set forth in the Department's air mail instruction No. 198 of May 21, 1935.

I presented the subject in detail and with sufficient repetition of the principal points to insure their being thoroughly understood. The attitude of all those with whom I talked was most attentive and, although none of them made any specific commitment as to details, all assured me that they were in sympathy with the broad purpose of the trade agreements program in its relation to world trade, and they seemed to realize the advantages Guatemala might be expected to obtain from the success of the program. I had previously been able to bring this fundamental phase of the matter to the attention of the Minister for Foreign Affairs, and through him to the attention of the President and the Minister of Hacienda, by furnishing him with copies of Secretary Hull's speeches and other public statements, as well as those of other officials of the Department. All four of the gentlemen expressed their desire to continue to cooperate and their hope that a way could be found to conciliate the respective points of view, so that Guatemala might give its moral support to the program in the form of a satisfactory trade agreement.

They all mentioned more or less directly the impracticability of reducing Guatemala's customs revenues at this critical time, especially as Guatemala is suffering because of a restricted and cheaper market for her coffee, and the possibility that increased imports would compensate for reductions in duties aroused no enthusiasm among them.

They were very attentive to, and appeared to be favorably impressed by the indirect advantages which they might obtain from the success of the program in the opening up of markets now closed or obstructed for Guatemalan products, and they seemed to appreciate the danger that this situation might become worse if the present tendency in world trade should continue. They were specially impressed when I referred to what the possible effect on Guatemala's trade and entire national economy might be if the United States, in self defense, should be compelled to follow the prevailing tendency and set up arbitrary barriers to world trade.

I gave them all an opportunity to indicate some concession they might desire by way of a compensating benefit but the only suggestion made related to some measure which would close the American market to contraband chicle from Guatemala. When President Ubico referred to this, I recalled the efforts which have already been made in this connection and told him that a definite suggestion from this Government as to how the Government of the United States might cooperate in controlling this contraband traffic would receive sympathetic consideration. The truth as to this phase of the matter is that, in the absence of any possibility of our directly offering Guatemala a better market for her coffee, the officials of this Government can hit upon nothing to ask of us in the way of compensating concessions. This appears to constitute about the only real difficulty confronting the negotiations, but it probably will be a serious one so long as the concessions requested by us threaten to reduce this country's customs receipts by any considerable amount in proportion to the country's total revenues.

Respectfully yours,

MATTHEW E. HANNA

611.1481/111 : Telegram

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

WASHINGTON, June 6, 1935—noon.

19. Your telegrams 28, of June 3, 5 p.m., and 29, of June 4, 3 p.m. In the light of your conversations can you recommend a definite course of action to pursue in connection with the proposed trade agreement? The alternatives that suggest themselves to those engaged in the work here are (1) the submission by this Government to Guatemala of a revised and modified Schedule I, (2) asking Guatemala (in view of the negative nature of the reply to Schedule I) to indicate concretely how far it is prepared to go in meeting our desire for some tariff concessions. If you favor the latter alternative please make this suggestion to the Guatemalan authorities.

As regards the "immediate and direct compensating advantages" mentioned in your telegram No. 29, there appears to be nothing more we can offer than the concessions already indicated to you. The indirect and long-time benefits to Guatemala of cooperating with us in the trade agreements program were outlined in instruction No. 198 of May 21. We will, of course, consider sympathetically any practical suggestions Guatemala may wish to make in this connection.

The Department would appreciate cabled advice from you as to the best way in your opinion to break the present impasse and terminate the negotiations successfully and promptly.

HULL

611.1431/113 : Telegram

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

GUATEMALA, June 7, 1935—noon.

[Received 4:15 p.m.]

30. Department's telegram No. 19, June 6, noon. I think there is a sincere desire here to cooperate with the best of good will but without any material reduction in revenues not directly compensated in some way. The authorities here think there is great disparity between what they consider a trifling advantage to our commerce and a serious reduction in their revenues. The Minister for Foreign Affairs again confirmed the foregoing last week.

A concrete expression by this Government of acceptable tariff concessions, if made at all, probably would be so low that it would [hinder?] rather than help negotiations. I think a combination of the two alternatives you suggest is preferable and that the most satisfactory procedure would be to give the Department's representatives here broad limits within which to negotiate subject to approval.

We certainly will have to lower our demand. This Government might agree to binding existing rates (instead of lowering them as we have requested in schedule I) on items supplied almost entirely by the United States thereby protecting its revenues without materially impairing the value of the agreement for us. For example, the single item of flour of which we supply over 90 per cent accounts for more than half of the total loss of the customs receipts resulting from our demands and it is not probable that the lower tariff would materially increase consumption.

I believe an agreement can be reached which while it may not give us any considerable immediate benefit will insure us against undesirable changes in tariffs and possibly give us a preferential position during the life of the agreement should the tariffs be raised for other countries. Such an arrangement might have positive advantages.

I believe time will be saved in the end if the Department hold my definite instructions in the matter until after I have arrived at Washington.

The Consul General ¹² concurs in the foregoing.

HANNA

611.1431/115a : Telegram

The Secretary of State to the Chargé in Guatemala (O'Donoghue)

WASHINGTON, July 3, 1935—6 p.m.

20. The Department desires that you, in conjunction with the Consul General, begin conversations at once with the Guatemalan Govern-

¹² O. Gaylord Marsh.

ment with a view to completing the negotiations of the trade agreement as expeditiously as possible and on the best obtainable terms, making it clear that you will be negotiating on an *ad referendum* basis, i.e. subject to the approval of the Department. We have discussed the situation thoroughly with Minister Hanna, who believes that there is sufficient goodwill on the part of the Guatemalan Government to permit of the conclusion of a satisfactory agreement consisting of the general provisions, some duty reductions and assurances that rates on certain important American exports to Guatemala will not be raised during the life of the agreement. Schedule I and supporting material as originally supplied you should furnish information needed in conduct of the negotiations, which the Department will be glad to supplement or amplify as required.

HULL

611.1431/116: Telegram

The Chargé in Guatemala (O'Donoghue) to the Secretary of State

GUATEMALA, July 8, 1935—5 p.m.

[Received 9:38 p.m.]

34. Department's telegram No. 20, July 3, 6 p.m. Have just discussed matter of trade agreement with Foreign Minister who stated he would immediately make arrangements for the Consul General and me to confer with the Minister of Hacienda and the Director of Customs.

Foreign Minister expressed optimism as to successful outcome of negotiations along the lines now suggested but added Guatemala would have to have assurance that no duty, if now nonexistent, or quotas would be placed on Guatemala's exports to the United States.

O'DONOGHUE

611.1431/117

The Chargé in Guatemala (O'Donoghue) to the Secretary of State

No. 707

GUATEMALA, July 9, 1935.

[Received July 15.]

SIR: Supplementing my telegram No. 34, July 8, 5 p.m., with reference to my visit to the Foreign Office in connection with the reopening of conversations regarding the Trade Agreement, I have the honor to transmit herewith a copy of the Memorandum dated July 8, which I left with the Foreign Minister. After reading the Memorandum, Dr. Skinner Klée expressed optimism as to the eventual

outcome of the negotiations along the lines now suggested by the Department and added that he would make immediate arrangements for Consul General Marsh and me to confer with the Minister of Hacienda and the Director General of Customs in the premises. He added however that Guatemala would have to have assurances that no duty would be placed on its exports to the United States which are now on the free list and that no quotas with regard to Guatemalan products would be established during the life of the agreement.

The Foreign Minister in conclusion reiterated the desire of Guatemala to conclude a trade agreement with the United States so as to lend its moral support to the Trade Agreements Program.

Before going to the Foreign Office to present the original of the enclosure, I had discussed the matter thoroughly with Consul General Marsh who was in agreement as to the procedure to be followed. I may add that Mr. Marsh also is inclined to optimism as to the conclusion of a trade agreement, but that neither he nor I expect any great tariff concessions to be granted.

Respectfully yours,

SIDNEY E. O'DONOGHUE

[Enclosure]

The American Legation to the Guatemalan Ministry for Foreign Affairs

GUATEMALA, July 8, 1935.

MEMORANDUM

The Legation of the United States of America has the honor to refer to the Memorandum No. 5191 [5181] of April 29, 1935, from the Ministry for Foreign Affairs of Guatemala, with which was transmitted a copy of a communication, No. 6184 of April 24, 1935, from the Ministry of Hacienda and Public Credit together with the enclosures thereto, these latter being the studies made by the competent authorities in the General Bureaus of Customs and Public Health relative to the proposed Trade Agreement between the United States of America and Guatemala. Reference is also made to conversations on this subject which the American Minister, Mr. Matthew E. Hanna, had the honor of having with His Excellency the Minister for Foreign Affairs.

The Memorandum from the Ministry for Foreign Affairs, above referred to, together with its enclosures, were transmitted by the Legation to the Department of State for consideration and study. As a result thereof the Chargé d'Affaires ad interim has now been instructed to reopen conversations with the Government of Guatemala,

it being understood that he will be negotiating on an *ad referendum* basis, in order to conclude, as expeditiously as possible, a Trade Agreement between the United States of America and Guatemala which should redound to the best interests of both countries and be mutually advantageous.

It would therefore be greatly appreciated by the Legation if the Ministry for Foreign Affairs could find it possible to request the competent authorities of the Government of Guatemala once again to make a study of the question of the Trade Agreement and to inform the Legation, for reference to its Government, if it would be possible to conclude a satisfactory Trade Agreement consisting of the general provisions thereof, the draft of which was transmitted to the Minister for Foreign Affairs with the Legation's Memorandum of February 26, 1935, together with certain reductions in duty on items of import to be agreed upon as well as with assurances that the existing rates of duty on the more important imports from the United States to Guatemala will not be raised during the life of the agreement.

In transmitting the foregoing to the Ministry for Foreign Affairs the Legation ventures to point out that the far reaching benefits to be derived from the ultimate success of the Trade Agreements Program of the United States, in accomplishing its broader aims with respect to world trade is one which is highly desirable. It is therefore earnestly hoped that the wish of the Government of the United States to conclude a Trade Agreement at an early date with the Government of Guatemala may be realized.

611.1431/116 : Telegram

The Secretary of State to the Chargé in Guatemala (O'Donoghue)

WASHINGTON, July 10, 1935—7 p.m.

22. With reference to the last paragraph of your telegram No. 34 of July 8, 5 p.m., Article VI of the general provisions prohibits reciprocally application of quotas, subject to exceptions therein defined, on products enumerated in Schedules I and II of the agreement. It would be helpful if Guatemala would submit at once a list of its exports to the United States on which it desires continued free entry. As outlined in the report transmitted to you under cover of the Department's instruction No. 149 of February 8, 1935,¹³ this Government is prepared to give such a commitment on coffee and bananas. Other requests in this sense that Guatemala may make will be considered sympathetically. Such commitments, however, are made only to chief or important suppliers of this market.

HULL

¹³ Not printed; see footnote 3, p. 585.

611.1431/118 : Telegram

The Chargé in Guatemala (O'Donoghue) to the Secretary of State

GUATEMALA, July 15, 1935—11 a.m.

[Received 1:30 p.m.]

36. Consul General and I have just talked with Minister of Hacienda who stated he is favorable to conclusion of trade agreement and that he would order an immediate study to determine what tariff concessions might be granted. He also expressed optimism as to early conclusion of agreement.

Owing to Barrios holidays this week, no further conversations will be possible before next Tuesday.

O'DONOGHUE

611.1431/120

The Chargé in Guatemala (O'Donoghue) to the Secretary of State

No. 719

GUATEMALA, July 26, 1935.

[Received July 31.]

SIR: Supplementing the Legation's despatch No. 707, of July 9, 1935, concerning the proposed Trade Agreement with Guatemala, I have the honor to report that the Foreign Minister informed me yesterday that while he had not as yet had time, since his return from the Barrios' celebration at San Lorenzo, to talk with the Minister of Hacienda concerning the agreement he had, nevertheless, been informed that the experts in the Customs House were already engaged in an intensive study to determine what concessions might be granted us and what concessions might be asked of us. This statement would appear to be substantiated by the fact that Consul General Marsh within the past three days has received several requests from the Director General of Customs for information concerning the duties collected in the United States on articles which Guatemala might be in a position to export, even though in small quantities.

The Foreign Minister told me that we could rest assured that Guatemala would conclude a trade agreement with the United States, if only along the broad lines thereof; namely, that Guatemala would guarantee not to increase duties on American products during the life of the agreement and that some small tariff concessions might be made. He stressed the fact that during the Administration of President Ubico Customs tariffs in Guatemala had, in comparison with other countries, been lowered instead of raised, and that, therefore, no great tariff concessions might be expected.

Respectfully yours,

SIDNEY E. O'DONOGHUE

611.1431/121 : Telegram

The Chargé in Guatemala (O'Donoghue) to the Secretary of State

GUATEMALA, August 8, 1935—noon.

[Received 4:35 p. m.]

38. Minister of Hacienda just gave me an advance copy of Guatemalan counterproposals with reference to trade agreement. Principal features are: tariff concessions [on] unspecified fresh meats, dried powdered milk and cream, unspecified cereals, brandies, cotton seed oil, varnishes, lacquers and enamels, tires and tubes, office furniture, receiving apparatus, motor cars and chassis. Rates of duty on all other items bound as well as the items listed under B of Schedule I. General provisions of agreement also acceptable.

Guatemala requests tariff reductions on wood furniture to 20 per cent ad valorem, honey to 1½ cents per pound, pineapple to 1 cent each, alligator pears to 5 cents pound, dried fruits to 15 per cent ad valorem, dried beans to 1 cent pound, hides to 5 per cent ad valorem, industrial alcohol to 8 cents gallon.

Guatemala requests incorporation following principal compensatory conditions, (1) articles on free list to be maintained, (2) existing duty on Guatemalan exports not to be increased, (3) no restrictive measures re Guatemalan exports, (4) alligator pears may enter United States at any port, (5) any concessions granted other countries to be accorded also to Guatemala, (6) advantages accorded by Guatemala to other Central American States and Panama to be excepted.

Copy and translation of study being forwarded by air mail August 11. Expect to receive formal copy from Ministry for Foreign Affairs next week.

O'DONOGHUE

611.1431/123

The Chargé in Guatemala (O'Donoghue) to the Secretary of State

No. 729

GUATEMALA, August 10, 1935.

[Received August 15.]

SIR: Supplementing my telegram No. 38 of August 8, 12 noon, I have the honor to transmit herewith a copy and translation of the study or counter proposal made by the Minister of Hacienda and Public Credit, with reference to the Trade Agreement. It will be noted that in list No. 3¹⁴ containing the customs items on which the rates of duty are to be bound during the life of the Agreement some four items, 465-1-01-02 and 465-1-04-02, 03 and 04 have been omitted. In reply to a query concerning this the Foreign Minister stated that "It would be understood in Washington".

¹⁴ Lists mentioned herein not printed.

In conversation with Dr. Skinner Klée yesterday he told me that when he formally transmitted Guatemala's counter proposal to the Legation his Government most probably would ask one further concession, namely, that the Government of the United States should agree to demand certificates of origin on all imports of chicle no matter where coming from. He felt that this would effectively prevent the smuggling of chicle out of Guatemala through British Honduras.

Consul General Marsh and I have gone over the proposal submitted by the Minister of Hacienda and feel that the concessions granted represent a praiseworthy effort upon the part of the Guatemalan authorities to conclude a mutually advantageous trade agreement with the United States. However we believe that Guatemala might be induced to accept a readjustment or modification of some of the concessions which it is asking of our Government.

I should add that neither Mr. Marsh nor I have made any comments concerning the enclosures to any Guatemalan Officials other than to state that it would afford us pleasure to submit them to the Department for consideration.

Respectfully yours,

SIDNEY E. O'DONOGHUE

[Enclosure—Translation]

Counterproposal by the Guatemalan Ministry of Hacienda and Public Credit

PRINCIPAL COMPENSATORY CONDITIONS WHICH THE GOVERNMENT OF GUATEMALA REQUESTS OF THAT OF THE UNITED STATES, IN NEGOTIATING THE TRADE AGREEMENT SUGGESTED BY THE AMERICAN LEGATION

The Government of Guatemala suggests that while the agreement is in force, the following be observed:

1st. That the articles which at the present time are free from customs tariff continue enjoying this freedom and shall not be taxed by additional imposts or rates of any kind;

2nd. That the present tariffs applicable to products exported from Guatemala to the United States shall not be increased, nor additional imports of any kind be levied on those products;

3rd. That no restrictive measures affecting the entry of Guatemalan products into the United States shall be prescribed. (See Article VI of the Draft Treaty);

4th. That the entry of alligator pears produced in Guatemala be permitted, provided that they be fruits of thick skinned variety; having the right to enter them through any port of the United States;

5th. That any concession, advantage, favor or privilege which may have been or may be granted hereinafter to another country by the

United States of America with regard to imports be granted immediately and unconditionally to Guatemala, excepting the exceptions expressly stipulated in the agreement. (See Article X of the Draft Treaty and paragraph four of Article XIV thereof);

6th. That concessions, advantages, favors or privileges which Guatemala extends to the other Republics of Central America and Panama on import or export transactions and the duties, rates and imposts which affect these (countries) are excepted from this agreement. (See paragraph five of Article XIV of the Draft Treaty); and

7th. That the tax on the articles set forth in list number 2 be lowered in the proportion indicated in the column of "suggested tariff".

PRINCIPAL STIPULATIONS OF THE CONCESSION WHICH THE GOVERNMENT OF GUATEMALA GRANTS TO THAT OF THE UNITED STATES, IN NEGOTIATING THE TRADE AGREEMENT SUGGESTED BY THE AMERICAN LEGATION

1st. Accepts the general provision of the draft, provided that in the final form, there be taken into consideration the seven points contained on the sheet attached hereto, on which is set forth the compensation and exceptions which are requested from the Government of the United States upon entering into the agreement;

2nd. Lowers the tax on articles set forth in list number 1 to the figures noted in the column of "suggested tariff"; and,

3rd. Agrees not to modify during the life of the agreement, the tariffs on the articles enumerated and set forth in list number 3.

611.1431/124 : Telegram

The Chargé in Guatemala (O'Donoghue) to the Secretary of State

GUATEMALA, August 20, 1935—10 a.m.

[Received 3:35 p.m.]

39. Legation's despatch 729, August 10, regarding trade agreement. Foreign Minister has just informed me that Guatemala now proposes to await Department's observations with respect to Minister of Hacienda's study prior to submitting a formal counterproposal.

O'DONOGHUE

611.1431/123 : Telegram

The Secretary of State to the Chargé in Guatemala (O'Donoghue)

WASHINGTON, August 22, 1935—6 p.m.

24. With reference to your despatch No. 729 of August 10. Schedule II. Concerning the seven conditions suggested by Guatemala you may inform the Guatemalan Government as follows:

Condition 1: We are prepared to meet this request specifically on Guatemala's principal exports to the United States, viz. bananas, coffee, cocoa, sisal fibre, raw deerskins, and cabinet woods in the log.

Condition 2: We can meet this request on "prepared or preserved guavas, and not specially provided for," with rate of 17½ percent ad valorem and on "mango pastes and pulps, and guava pastes and pulps," with rate of 28 percent ad valorem. The Guatemalan Government will of course understand that we cannot assume the blanket commitment it suggests in its first two conditions but that commitments on specific products only can be entered into by including them in Schedule II.

Condition 3 is met by Article VI of General Provisions.

Condition 4 cannot be granted. Recorded imports of alligator pears from Guatemala are too negligible to justify attempting to alter present tariff and sanitary treatment.

Condition 5 is assured by Article X and Condition 6 by the penultimate paragraph of Article XIV of the General Provisions.

Condition 7 or list number 2: It is regretted that the duty reductions requested by Guatemala on wood furniture, alligator pears, dried fruits (see above under Condition 2), dried beans, cattle hides and industrial alcohol cannot be granted, due to a consideration which it is believed Guatemala understands, viz. tariff reductions on specific commodities under our present trade agreements program are made in the first instance only to chief or important suppliers of the commodities in question. Imports from Guatemala of the commodities named above are either nil or negligible in comparison with our imports from other sources. You may point out, however, that Guatemala may later receive concessions on some of these commodities by virtue of generalization to it of concessions made in subsequently concluded trade agreements with chief or important suppliers.

In the case of fresh pineapples, we are prepared to extend to Guatemala the rate of nine-tenths of 1 cent each in bulk or 35 cents per crate originally granted Haiti.

For your confidential information, studies are being made to determine whether it will be possible to grant Guatemala a tariff reduction on bee honey and to bind citronella oil and cardamon seed on the free list. You will be advised as soon as a decision is reached.

HULL

611.1431/123 : Telegram

The Secretary of State to the Chargé in Guatemala (O'Donoghue)

WASHINGTON, August 22, 1935—7 p.m.

25. With reference to your despatch No. 729 of August 10. Schedule I.

1. If the Guatemalan Government is definitely unable to grant any concessions on unspecified fish (211-4-04-01), shrimp and oysters (211-4-04-04), corn starch (212-3-02-02), unspecified fresh fruits (212-5-01-01) and unspecified canned fruits (214-1-01-01), the Department prefers that these items be removed from Schedule I, considering the duty rates to which they are now subject too high to bind.

2. Please urge the Guatemalan Government to reconsider its refusal to reduce the duty on wheat flour, pointing out the great importance of this commodity in our trade with Guatemala and the very favorable effect a concession would have in this country. Any reduction at all would be of inestimable importance. In the event no concession is possible, we will accept the binding of the present rate.

3. Endeavor to have fresh apples made dutiable at the rate of 3 centimos per gross kilo together with grapes under numeral 212-5-01-02 and to obtain a 50 per cent reduction of the present duty on raisins and prunes included under numeral 212-5-02-01.

4. It is understood here that there is considerable smuggling of tobacco from Honduras into Guatemala. If this be the case, we suggest that you make a final effort to obtain a reduction on leaf tobacco as originally requested, pointing out that this might have a favorable effect on customs revenues by reducing smuggling. If unsuccessful, accept binding of the present rate.

5. Endeavor to obtain a 25 per cent reduction on 493-2-03-02 and a 50 per cent reduction on 493-2-03-03 when the vehicles are provided with pneumatic tires. The latter proviso is inserted to meet the Guatemalan objection that heavy vehicles may damage their roads. If no concession is obtainable, accept binding of 493-2-03-01 and 493-2-03-02 only, since the duties on the following two numerals are excessive.

6. For your confidential information, the Department does not attach great importance to the bindings offered on cotton yarns and piece goods, since in some cases we are not chief supplier of these articles and in others the present duty rates are high. We suggest therefore that you bear in mind the possibility of trading these bindings for the concessions indicated above in this telegram. If no bargaining power is to be gained by this procedure, we will accept the bindings as offered.

7. We believe that the countersuggestions indicated above are reasonable. While we will accept Schedule I in the last resort as

submitted by Guatemala, we hope that the Guatemalan Government can see its way clear to meeting these further requests, considering the importance of the commitments we are prepared to make in return on Schedule II and the extent to which we have already modified our original requests on Schedule I.

8. Schedule II treated in separate telegram.^{14a}

HULL

611.1431/124a

The Secretary of State to the Chargé in Guatemala (O'Donoghue)

No. 221

WASHINGTON, August 24, 1935.

SIR: With reference to the Department's instruction No. 157, of February 18, 1935, transmitting a draft of the General Provisions which this Government desires to have included in the trade agreement with Guatemala, I am now transmitting herewith a revised draft of those Provisions.¹⁵

In presenting this new draft to the Guatemalan Government, you may point out that such changes as have been made are primarily textual in nature. You should reserve the right to make such further changes as may be necessary prior to signature of the agreement.

Since you reported, in telegram No. 38, August 8, noon, that the Guatemalan Government has accepted the original draft of the General Provisions, the Department consequently assumes that the enclosed revised draft will likewise be acceptable.

Very truly yours,

CORDELL HULL

611.1431/125 : Telegram

The Chargé in Guatemala (O'Donoghue) to the Secretary of State

GUATEMALA, August 26, 1935—noon.

[Received 2:45 p.m.]

40. Department's telegrams numbers 24, August 22, 6 p.m., and 25 August 22, 7 p.m. Consul General and I have just seen Minister of Hacienda and left a memorandum based upon telegrams under reference.

We gather that some minor concessions may be granted but any reduction in wheat flour duty will be difficult if not impossible to obtain. Minister stated he would give immediate attention to our memorandum and that he hoped to reply thereto by September 2.

O'DONOGHUE

^{14a} *Supra.*

¹⁵ Not printed.

611.1431/126

The Chargé in Guatemala (O'Donoghue) to the Secretary of State

No. 740

GUATEMALA, August 26, 1935.

[Received September 3.]

SIR: Supplementing my telegram Number 40, August 26, 12 Noon in connection with the proposed Trade Agreement with Guatemala, I have the honor to report that Consul General Marsh and I called on the Minister of Hacienda and Public Credit this morning at which time I left with him a Memorandum based upon the Department's telegrams Numbers 24 and 25.

The Minister indicated that he would most probably give favorable consideration to some of the minor concessions asked and when I emphasized the importance which any reduction in the duty on wheat flour would have in the United States he said that he would study this question particularly but at the same time he indicated that no reduction would be forthcoming.

The Minister also stated that he would have a translation of my Memorandum made and would give it his earnest and immediate attention and that he would discuss the matter with President Ubico on August 31, if not sooner, and that he hoped to be able to give me an answer to our observations on Monday next.

In the course of our conversations the Minister expressed some surprise that the question of chicle had not been touched upon whereupon I suggested that he incorporate the Government's desires with regard to this product in the reply which it is proposed to make to the Legation.

Respectfully yours,

SIDNEY E. O'DONOGHUE

611.1431/127: Telegram

The Chargé in Guatemala (O'Donoghue) to the Secretary of State

GUATEMALA, September 5, 1935—5 p.m.

[Received 8:40 p.m.]

42. Consul General and I have just seen Minister of Hacienda who regrets that for various reasons economic Guatemala is not able to grant any other than the original concessions except as regards 211-4-04-03 and -04 tariff duties on which will be reduced from 30 to 15 cents per gross kilo. All other items will be bound.

Guatemala accepts general provisions of agreement as transmitted with instruction No. 221, August 24. Guatemala requests binding chicle on free list but after explaining difficulty in doing this since Guatemala is not the principal producer, Minister of Hacienda indicated he would be prepared to waive this point. Guatemala also

renewed requests for tariff reduction to 11½ cents per pound on bee honey.

Minister of Hacienda mentioned Guatemala's denunciation of treaties with England, Germany, and Italy (see air mail despatch No. 749, September 3 ¹⁶) and added that he hoped present proposals would be acceptable to the United States which would be the only country with which Guatemala would have any commercial treaty.

We did not mention removal of any items from the bound list as no bargaining apparent.

Minister of Hacienda's memorandum today's date being forwarded by air mail September 8th.¹⁶

O'DONOGHUE

611.1431/129

The Chargé in Guatemala (O'Donoghue) to the Secretary of State

No. 754

GUATEMALA, September 6, 1935.

[Received September 11.]

SIR: I have the honor to refer to my telegram No. 42 of September 5, 5 p.m. informing the Department of the reply of the Minister of Hacienda with regard to the memorandum which I submitted for his consideration on August 23, 1935, and which was based on the Department's telegrams No. 24 of August 22, 6 p.m. and 25 of August 22, 7 p.m.

I now have the honor to transmit herewith a copy of my memorandum and a copy and translation of the Minister's memorandum of September 5, together with the enclosures thereto:¹⁷

1. Principal stipulations concerning the concessions which the Government of Guatemala will grant to the United States and

2. Principal compensatory conditions requested by the Government of Guatemala.

There is also attached without translation a copy of List No. 1 ¹⁸ giving the items on which Guatemala is prepared to grant tariff concessions.

It will be noted that this list is the same as List No. 1 ¹⁸ transmitted with despatch No. 729 of August 10, with the exception that this Government has granted two further tariff concessions, namely 211-4-40-03 "sardines prepared in oil or sauce" and 211-4-04-04 "unspecified fish and oysters prepared or preserved in oil, in sauce or in their own liquid, crude, cooked or pickled". Guatemala is prepared to reduce the duty on these two items from thirty cents per gross kilo to fifteen cents per gross kilo.

¹⁶ Not printed.

¹⁷ None printed.

There is also transmitted a copy without translation of List No. 3¹⁸ (there is no list No. 2) showing those items the rates of duty on which the Government of Guatemala is prepared to bind for the life of the agreement. This list is identical with that submitted with despatch No. 729 excepting only the two items just mentioned which were removed therefrom and placed on List No. 1.

In his memorandum the Minister of Hacienda has set forth the reasons why Guatemala is unable to grant any further concessions which would affect the national income. The reasons given are practically the same as those advanced by him with his letter of April 24, 1935,¹⁸ which accompanied despatch No. 621 of May 2 and I need not therefore elaborate upon them here.

It will also be observed that the Government of Guatemala is desirous of adding raw chicle to the list of those items which the United States is prepared to bind for the life of the agreement. At the time of our conversation with the Minister of Hacienda, Consul General Marsh and I told him that we doubted if it would be possible for this to be done inasmuch as Guatemala is not the principal producer of this commodity and that the Government of the United States would doubtless not bind it at the present time in view of its possible bargaining power in connection with the conclusion of trade agreements with other countries which might be principal producers of chicle. The Minister appeared to recognize the soundness of this fact and indicated that he would be prepared to waive this point.

In our conversations with the Minister of Hacienda we amplified my original memorandum but did not suggest the possibility of releasing the bindings offered on piece goods and cotton yarns because, to our mind, there was no advantage to be gained thereby. Neither did we suggest the release of the tariff items mentioned in paragraph one of the Department's telegram No. 25 of August 22 or the bindings on 493-2-03-03 and the following numeral, preferring to await further instructions from the Department in this respect.

In connection with the immediate foregoing it is worthy of note that the Government of Guatemala has just denounced its commercial treaties with the Governments of Great Britain, Germany and Italy. (The Minister of Hacienda remarked that the United States would be the only country with which Guatemala would have a commercial agreement.) It is generally rumored here, that when the treaties in question cease to be in force the local authorities will increase the rates of duty on certain of the products coming from those countries and the territories to which the treaties may have been applicable. This is said to be particularly true with regard to Germany and Great Britain. For this reason it was thought that the Department might prefer the binding of the items which it had suggested might be re-

¹⁸ Not printed.

leased even though it considers the present duties excessive. However, should the Department desire that they be removed from Schedule I there is no doubt that this can be done.

When the Minister of Hacienda handed us his memorandum accepting the general provisions of the agreement I inquired if he had in mind the revised draft which had been received with the Department's instruction No. 221 of August 24, and which I had submitted to the Minister. He replied in the affirmative.

Consul General Marsh and I feel that the Government of Guatemala has granted all of the concessions which it will consider at the present time in view of the, to them, apparent lack of any direct compensating advantages.

Respectfully yours,

SIDNEY E. O'DONOGHUE

611.1431/143a

The Secretary of State to the Chargé in Guatemala (O'Donoghue)

No. 230

WASHINGTON, October 23, 1935.

SIR: Referring to the Department's telegram No. 34 of October 14 (7 p. m.),¹⁹ and to the last paragraph of your despatch No. 785 of October 7, 1935,¹⁹ I am transmitting herewith a tentative final draft of the proposed trade agreement with Guatemala.¹⁹

In the event that the Guatemalan Government is not satisfied with the headnote proposed for Schedule I, you may suggest language similar to that used in the headnote to Schedule II, which is standard in trade agreements concluded by this Government.

In certain of the trade agreements already concluded or in process of negotiation, the Department has included the following two paragraphs:

"In the event that the Government of either country makes representations to the Government of the other country in respect of the application of any sanitary law or regulation for the protection of human, animal, or plant life, and if there is disagreement with respect thereto, a committee of technical experts on which each Government shall be represented shall, on the request of either Government, be established to consider the matter and to submit recommendations to the two Governments.

"Whenever practicable the Government of either country, before applying any new measure of a sanitary character, will consult with the Government of the other country with a view to insuring that there will be as little injury to the commerce of the latter country as may be consistent with the purpose of the proposed measure. The provisions of this paragraph do not apply to actions affecting individual shipments under sanitary measures already in effect or to actions based on pure food and drug laws."

¹⁹ Not printed.

The Department would perceive no objection to including the above paragraphs as paragraphs three and four of Article XIII of the General Provisions of the Trade Agreement with Guatemala, in the event the Guatemalan Government so desires.

As soon as you have reached complete accord on the text of the agreement, you are requested to advise the Department by telegraph in order that final approval may be sought here. Arrangements for signature can then proceed and full powers authorizing Minister Hanna or you to sign for this Government will be forwarded to the Legation.

Very truly yours,

For the Secretary of State:
FRANCIS B. SAYRE

611.1431/145

The Chargé in Guatemala (O'Donoghue) to the Secretary of State

No. 824

GUATEMALA, November 16, 1935.

[Received November 20.]

SIR: With reference to the Department's instruction No. 230 of October 23, 1935, I have the honor to report that by note dated October 28, a copy of which is attached hereto,²⁰ I submitted to the Foreign Office the tentative final draft of the proposed Trade Agreement with Guatemala. I have now informally received a copy of the Spanish text of the Agreement as prepared in the Ministry for Foreign Affairs. This text has been checked over by me and insofar as I am able to determine agrees with the English text of the proposed Agreement. It will be observed that the two paragraphs which the Department indicated it would have no objection to including as paragraphs 3 and 4 of Article XIII of the General Provisions of the Trade Agreement were omitted in the Spanish text. In reply to my inquiry concerning this the Foreign Minister told me that they were still the subject of study upon the part of the competent authorities.

Immediately upon receipt of the enclosure I called on the Foreign Minister and asked him if I might assume the delivery of the Spanish text indicated his Government's final approval of the Agreement and its willingness to sign. The Minister then told me that President Ubico had indicated his unofficial approval of the Agreement but that he (the President) was still somewhat concerned that the question of chicle being maintained upon the United States tariff free list has not been finally determined. The Minister stated that while he fully appreciated the Department's "chief supplier" reasons for not mentioning chicle in the Trade Agreement nevertheless in order for him to secure the President's authority to sign the proposed Agreement as well as to secure its final ratification by the Legislative Assembly he

²⁰ Not printed.

would have to have some sort of "private assurances" that it was not the intention of our Government to place a tax upon chicle. I told Dr. Skinner Klée that I would be glad to transmit his request to the Department for its consideration but that I was somewhat dubious as to the Department's ability to furnish him with the assurance he desires.

I am attaching hereto a copy of a draft note²¹ which I have shown to the Foreign Minister and which he indicated might be acceptable to President Ubico. Should the Department approve its transmission to the Guatemalan Foreign Office I should appreciate being advised by telegraph.

Respectfully yours,

SIDNEY E. O'DONOGHUE

611.1431/147: Telegram

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

GUATEMALA, December 7, 1935—noon.

[Received 4:40 p.m.]

66. Supplementing my telegram No. 65, December 6, 3 p. m.²¹ The situation in general concerning the trade agreement is as follows:

President Ubico would not accept a qualified assurance that we would not impose a tariff on chicle as set forth in the draft note accompanying despatch No. 824, November 16. He then asked for our definite commitment that such a tariff will not be imposed. I then proposed, as a substitute, that we would "continue to cooperate" with this Government in an effort to find a way to put an end to illicit traffic in chicle originating in Guatemala. He accepted this proposal. There will be no reference to chicle in the trade agreement.

The authorities here claim that Guatemala has been losing nearly all its revenue from chicle because of smuggling. This appears to be confirmed by the fact that our import statistics do not show Guatemala as a supplier of chicle since 1927. President Ubico is trying to stop this loss and recently a large shipment of chicle was made from Barrios.

There is the best of good will here concerning the trade agreement and the desire to expedite its conclusion. I have been assured repeatedly that the new customs code and the revised translation of the agreement present no complications.

I hope that the Department can give an assurance in the sense set forth in my telegram in reference. We will be promising nothing new and I have pointed out here that as the record stands now the initiative for our further cooperation in preventing illicit traffic in chicle should be made by this Government.

HANNA

²¹ Not printed.

611.1431/147: Telegram

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

WASHINGTON, December 13, 1935—2 p. m.

36. Your telegrams Nos. 65²³ and 66. The Treasury Department does not know how this Government could legally take steps to aid Guatemala in curbing illicit exportation of chicle without the passage of enabling legislation.

Under the circumstances the Department does not see how this Government could enter into a very precise commitment with Guatemala on the subject. It would be preferable if Guatemala could outline exactly what it would expect this Government to do, just as we did when we sought Guatemala's assistance in eliminating contraband alcohol shipments from Barrios.²⁴ Since this would probably involve delay and might result in the presentation of conditions which we could not meet, the Department believes that the best course of action might be to sign a note worded as follows:

"The Government of the United States is aware of the difficulties which the Government of Guatemala is experiencing in controlling the export of crude chicle and is desirous of cooperating within the limits of its authority, with the Government of Guatemala, in preventing chicle illegally exported from Guatemala from entering the United States as chicle originating in third countries. The Government of the United States accordingly assures the Government of Guatemala that it will give most careful and sympathetic study to any proposal designed to assist in accomplishing the foregoing purpose."

We believe it would be best to suppress mention in such a note of Guatemalan aid in connection with alcohol smuggling.

Please telegraph your reaction to this and also indicate when the revised translation of the trade agreement will be forwarded to the Department.

HULL

ATTITUDE OF THE UNITED STATES TOWARDS THE CONTINUANCE
IN OFFICE OF THE PRESIDENT OF GUATEMALA BEYOND HIS
CONSTITUTIONAL TERM

814.00/1185

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

No. 551

GUATEMALA, February 28, 1935.

[Received March 9.]

SIR: I have the honor to report that I have learned recently from a fairly reliable source that a project for amending the Guatemalan

²³ Not printed.²⁴ See instruction No. 176, April 5, 1935, to the Minister in Guatemala, vol. 1, p. 413.

Constitution is now under consideration for submission to the Legislative Assembly which will convene in ordinary session on March 1 of this year.

The proposed amendments, according to my informant, will not be of a fundamental character. He was not informed concerning their details, but he said he was positive that no amendment would be proposed to Article 66 which fixes the presidential period at six years and prohibits re-election until twelve years after the termination of a previous term in the Presidency. In any event, it would seem that Article 66 could not be amended in the manner prescribed in Article 99 of the Constitution in time for President Ubico to succeed himself, although it might be amended in conformity with that Article in time for him to be reelected six years after the completion of his present term, that is after one intermediate term.

It is not improbable that public discussion of a project to amend the Constitution will give rise to suspicions and possibly to charges of an ulterior motive. In fact, I have already heard speculations of this character. The procedure fixed in the Constitution for its partial amendment is as follows: the Legislative Assembly must approve the amendments by a vote of at least two-thirds of the total number of deputies; it then calls a general election for a constituent assembly which decides on the amendments. Those who are seeking for ulterior motives may see in the general elections and in the existence of a constituent assembly an opportunity for the expression of the popular will which might be interpreted as an overwhelming demand to prolong the present administration. I have frequently heard that, as might be expected, many persons who form a part of this administration or who profit in other ways through their connections with it, are busily engaged in trying to find some way by which the appearance of legality could be given to a continuance of President Ubico in power after the completion of his present term of office.

Respectfully yours,

MATTHEW E. HANNA

814.00/1191

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

No. 598

GUATEMALA, April 6, 1935.

[Received April 10.]

SIR: Supplementing my despatch No. 551 of February 28, 1935, I have the honor to report that the proposed amendments to the Guatemalan Constitution have been submitted and are now under consideration in the Legislative Assembly. The Legation has not yet had ample opportunity to study them but will be able to forward a summary of them in the near future.

In the meantime, I desire to report that, while no amendment has been proposed to Article 66 concerning succession to the Presidency, there seems to be an organized movement under way to have this Article amended in response to popular demand. I am fairly reliably informed that a petition to effect this will be presented to the Legislative Assembly, and that emissaries of "El Liberal Progresista" Party are now canvassing all sections of the Republic to obtain signatures to the petition and to smother opposition.

Respectfully yours,

MATTHEW E. HANNA

814.00/1192 : Telegram

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

GUATEMALA, April 10, 1935—noon.

[Received 3:20 p.m.]

13. My air mail despatch 598, April 6. It is publicly announced that the Legislative Assembly has received petitions from 246 municipalities to amend article 66 of the Constitution so as to permit the reelection of President Ubico and this announcement is generally accepted as positive assurance that he will be continued in office for a second term. I understand that while the directors of this movement are proclaiming the right of the people to change the Constitution at any time they have not yet agreed upon a procedure for amending article 66 which will stand the test of legality.

There undoubtedly is a powerful sentiment in the Republic especially among all classes with vested interests in favor of the reelection of President Ubico.

HANNA

814.00/1197

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

No. 607

GUATEMALA, April 16, 1935.

[Received April 22.]

SIR: Supplementing my despatch No. 605 of the thirteenth instant,²⁵ and previous despatches concerning the proposed amendment of the Guatemalan Constitution, I have the honor to transmit herewith a copy and translation²⁵ of Decree No. 2067, enacted by the Legislative Assembly and signed by President Ubico on April 12, 1935, and published in the *Diario de Centro America* in its issue of April 13, 1935, which enumerates the Articles of the Constitution to be amended and provides for the election of a Constituent Assembly on May 1, 2 and 3 which will meet on May 15 to draft the amendments.

²⁵ Not printed.

It will be noted that, by Article 1 of the Decree, the matter of amending Articles 66, 69 and 99, which relate to the succession to the Presidency, has been referred to the Constituent Assembly for its decision. Briefly stated, the existing provisions of these three Articles, as fixed by Decree No. 5 of December 20, 1927,²⁸ are as follows:

Article 66 fixes the presidential term at six years, which period may not be extended, and prohibits the reelection of a President for twelve years after he has completed a former term.

Article 69 establishes the procedure to be followed in filling a temporary or permanent vacancy in the office of President of the Republic. This article appears to have no direct bearing on the legality of a reelection of President Ubico to succeed himself.

Article 99 fixes the procedure for wholly or partially amending the Constitution. A translation of this Article follows:

Article 99—The total or partial amendment of the Constitution may be decreed only by a two-thirds vote, at least, of the total number of Deputies who constitute the Legislative Assembly, which Assembly will specify the article or articles to be amended.

In whatever case of total amendment of the Constitution, or of Articles 66 and 69, and of this Article (99), or one or more of these three, the amendment may be decreed only when directed by at least two-thirds of the aforesaid votes in two distinct and successive periods of the ordinary sessions of the Legislative Assembly; and even then the Constituent Assembly may meet to consider the amendment in such case only after a lapse of six years counted from the date of the decree.

The amendment of the Constitution may consist of the modification, the elimination, the addition to, the substitution of, or the addition of articles.

The Decree under discussion does not include Article 100 among those to be amended, although it seems to have a direct bearing on the legality of what is being attempted. This Article reads as follows in translation:

Article 100—The amendment having been decreed, the Legislative Assembly will call elections for a Constituent Assembly which should be organized within sixty days following the date of the call, except in the case foreseen in the preceding Article with respect to the amendment of that Article, of Article 66 and of Article 69 or any one of them and the entire Constitution, in which case the call should be made by the Legislative Assembly which is in session the fifth year after the date when the amendment was decreed, so that the organization of the Constituent may be effected on the termination of the fixed period of six years.

The four Articles mentioned were given their present form when the Constitution was amended in 1927, and it is well known that the purpose was to make it absolutely impossible for a President not merely to succeed himself but for him to be reelected before twelve years had elapsed since the termination of his previous term. Nevertheless, those who are directing this movement are maintaining that the procedure by which it is to be carried through will be legal. What that procedure is to be is not yet known to the public, and I doubt if the point has yet been decided. The plan which appears to be most

²⁸ *El Guatemalteco, Diario Oficial de la República de Guatemala, Centro América*, December 21, 1927, p. 37.

prominent is to add a purely transitory article to the Constitution which, while leaving the existing provisions of the pertinent articles intact, would make an exception in the case of President Ubico and "legalize" his reelection, for this one time only, to meet the national emergency which could not have been foreseen in 1927.

It has been pointed out in the government-controlled press that the people are above the Constitution, evidently with the idea of justifying the retention of President Ubico in power in response to an overwhelming demand of the Guatemalan people, but so far there is no assurance that the people are to be given an opportunity to make known their will on this specific point in a popular election. The logical opportunity for this will be presented in the elections for the Constituent Assembly on May 1, 2 and 3, but the call for these elections contained in the Legislative decree merely states that Articles 66, 69 and 99 are among those which may be amended but without asking for an expression of the popular will on this specific point, unless it be considered that the people have delegated to the Constituent Assembly the power to express their will for them.

It would seem that the directors of this movement had and may still have available a very simple and direct means for a popular referendum to determine whether the people desire to override the Constitution, because this could be ascertained by submitting the specific question to the electorate for a "yes" or "no" vote at the elections for the Constituent Assembly. I do not know if this procedure is among those being considered, but my information does indicate that the directors of the movement are still in a quandary as to how they shall proceed.

Another procedure which would give the electorate an opportunity to express its will on the specific issue and thereby give an appearance of legality, would be to submit to popular vote the amendment as made by the Constituent Assembly, but this would necessitate a second popular election.

These are some of the alternatives which probably are being considered, but I will not be surprised if in the end the matter is left to the Constituent Assembly and its decision is accepted as representing the will of the people. This probably would be sufficient to meet the situation adequately so far as Guatemala itself is concerned, as there seems to be little probability at the present time that the Government will encounter any serious opposition. It is only natural and to be expected, however, that President Ubico is deeply concerned as to the response other Governments may make to his continuance in the Presidency. He no doubt desires to minimize as far as possible the chances for unpleasant international consequences of his action, but he seemingly has definitely decided to continue in the Presidency and

not to be restrained from doing so by either national or international influences.

I have evaded any discussion of or even reference to this subject in my conversations with Guatemalan officials, and have avoided contact with them so far as practicable during the recent period when it was the principal topic of conversation. Through other channels I have kept informed of developments, and I have learned quite reliably that President Ubico is much concerned over how his action will be received in Washington and that this, more than anything else, is behind his desire to give the procedure the stamp of legality. Although I have expressed no opinion to any official of the Government, I have let it be known to one or two private individuals close to the President that I am profoundly interested and am watching developments with much anxiety. I have told them that, while it is primarily a Guatemalan matter, it nevertheless may have wide-spread repercussions, and, in this connection, I have pointed out that it might have an unfortunate influence on the development of political events in Nicaragua in the near future. I have also told them that, since it is generally conceded that President Ubico has definitely decided to remain in the Presidency for another term, I felt that I was justified in expressing the hope that a way would be found to give legality to his doing so, if that were humanly possible. And I also made some mention of the ease with which the question could be submitted to a popular referendum as already outlined in this despatch. One of those with whom I talked was a former Minister of Foreign Affairs and now Guatemala's leading legal authority, and, although he is a supporter of President Ubico and convinced that the interests of the nation demand his continuance as President, he was emphatically of the opinion that only by giving the electorate an opportunity to vote "yes" or "no" on the specific constitutional issue could a semblance of legality be given to the outcome.

Respectfully yours,

MATTHEW E. HANNA

814.00/1197 : Telegram

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

WASHINGTON, April 30, 1935—6 p.m.

11. Your despatch 607, April 16. The Department is confident that in any conversations you may have had you have not given the impression that this Government is sympathetic with any effort which may be contemplated to alter the Guatemalan Constitution illegally or to continue President Ubico in office contrary to the provisions of the Constitution.

The relations between the United States and Guatemala are peculiarly close and friendly, and this Government has, of course, the

highest esteem and regard for the present President of the Republic. It is for that reason that it is believed particularly desirable that no mistaken interpretation as to the attitude of this Government be permitted to arise.

The Department does not, of course, wish to convey the impression that it is endeavoring to advise President Ubico concerning the course he should follow. That is naturally a matter for his own decision. It does wish you to take whatever steps you deem necessary, however, to assure that the impression, if it exists, that this Government sympathizes with any plan to amend the Guatemalan Constitution illegally, or to continue President Ubico in power contrary to its provisions, be not allowed to remain uncorrected.

HULL

814.00/1202

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

No. 619

GUATEMALA, April 30, 1935.

[Received May 6.]

SIR: With further relation to the proposed amendment of the Guatemalan Constitution, and supplementing my despatch No. 607, of April 16, 1935, on that subject, I have the honor to report that elections will be held throughout the Republic tomorrow, May 1, and the two following days for members of the Constituent Assembly which is to meet in this capital on May 15 to decide on the proposed amendments.

The Administration is carrying out its program in this regard apparently without noteworthy protest or opposition, and it is generally assumed that the elections will be orderly. It is taken for granted that the resultant Constituent Assembly will carry out the wishes of President Ubico and will devise some change in or addition to the Constitution which will give an appearance of legality to the continuance of General Ubico in the office of President of the Republic for another term. It is universally believed here that the project to amend the Constitution, as originally submitted by the Executive to the Legislative Assembly, was but the first step in a carefully matured plan to maintain President Ubico in power. That this will be the outcome is already accepted as a *fait accompli*.

Government control of the press and of audible public opinion is sufficiently complete to give the surface indications a favorable aspect, but I have heard comments indicating a strong undercurrent of dissatisfaction, distrust and fear, and even rebellion. Conservative and influential Guatemalans who have a high regard for President Ubico and are hoping that his continuance in power is for the best interests of the country are, nevertheless, greatly worried by the irregularity

of the procedure and fearful of ultimate consequences. The general run of the more or less illiterate Indians who constitute the bulk of the population probably are very little concerned, but skillful propaganda among them might eventually create open hostility to the Government. It is to be expected that President Ubico's enemies within and without Guatemala will make the most of this opportunity to bring about his eventual downfall. The attitude in general of Guatemalans and foreigners with substantial interests in Guatemala seemingly is a mixture of satisfaction and fear. They apparently think that the continuance of President Ubico in the Presidency is a guarantee of stable, efficient, and honest Government so long as he can maintain himself in power, but they fear that the end of it all will be a dictatorship and violence to terminate it.

Rebellion or serious disorder in the near future is generally considered to be quite improbable. The Army is believed to be entirely loyal to the President, and a subversive movement without the assistance of disaffection in the armed forces could not succeed. Nevertheless, the specter of previous dictatorial governments and their tyrannies has been raised, and its psychological effect may be the deciding factor in ultimately shaping events.

Respectfully yours,

MATTHEW E. HANNA

814.00/1199 : Telegram

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

GUATEMALA, May 2, 1935—noon.

[Received 2:40 p.m.]

17. Department's telegram No. 11, April 30, 6 p.m. The Department's view of my conversations is correct. I have no valid reason to think that the second impression mentioned in the last paragraph of the telegram exists in Government circles here. I would like therefore, before taking any steps in the sense indicated by the Department, to obtain the Department's views on one or two specific points which I will submit by next air mail.

HANNA

814.00/1199 : Telegram

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

WASHINGTON, May 4, 1935—2 p.m.

13. Your 17, May 2, noon. In view of the short time before the Constituent Assembly will meet the Department wishes you to telegraph the specific points on which you desire the Department's views.

HULL

814.00/1201 : Telegram

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

GUATEMALA, May 5, 1935—7 p.m.

[Received May 6—9:25 a.m.]

20. Department's telegram No. 13, May 4, 2 p.m. I am aware of nothing which could give President Ubico the slightest justification for thinking that the Government of the United States could possibly sympathize with any plan to amend the Guatemalan Constitution illegally or to continue him in power contrary to its provisions but if the Department nevertheless desires to go on record as denying the existence of such sympathy I think we should take special precautions to avert being drawn into any expression of opinion concerning the details of the matter, especially its legality, and to that end I would like to limit my statement to President Ubico to an appropriate denial of such sympathy and to be authorized to say to him if necessary that I am specifically instructed to make no comment whatsoever either on the denial or any other phase of the matter. Even then there would be much probability that the purpose of the statement would be misinterpreted here so as to convey the impression which the Department desires to avoid that the Department is endeavoring to advise President Ubico concerning the course he should follow. The decision to keep President Ubico in power is irrevocable and nothing the Department would care to say even if it were willing to give him advice would alter the final outcome. An attitude of complete aloofness in this matter for the present may best serve our interests as well as those of Guatemala in the future and it may be that a statement at this time would have undesirable consequences which would outweigh its advantages.

HANNA

814.00/1201 : Telegram

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

WASHINGTON, May 7, 1935—2 p.m.

15. Your 20, May 5, 7 p.m. The Department does not believe that it should run the slightest risk of allowing a misunderstanding of its position to exist in the mind of President Ubico. You are, therefore, desired either to show the Department's telegram to President Ubico, or to explain its position as set out in the telegram to him orally.

For your information only this Government is concerned over a tendency apparent in certain countries in Central America to endeavor to alter the constitutional manner of succession to the presidency by illegal methods in order that present incumbents may continue in office beyond the periods for which they are elected. Because

of the great prestige that President Ubico enjoys in Central America, it is obvious that whatever action he takes in the present situation will greatly affect the attitude of political leaders in other countries. If the tendency referred to is continued and Central America reverts to the system of personal rule there is foreseen a return to the conditions of permanent intranquillity and frequent international conflict which characterized the period prior to 1907 and 1923 when constitutional government was practically unknown in Central America. In this connection it will not have escaped your attention that President Ubico has a unique opportunity immeasurably to increase his prestige in Guatemala and in all America, and extend his influence in Guatemala, by resolutely declining to take part in any movement to continue him in office illegally.

HULL

814.00/1206 : Telegram

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

GUATEMALA, May 10, 1935—11 a.m.

[Received 3:46 p.m.]

21. Department's telegram No. 15, May 7, 2 p.m. I have explained the Department's position orally to President Ubico as instructed. He said he would make very clear in his message to the Constituent Assembly that he does not desire to continue in the Presidency and will not do so in opposition to the will of the Guatemalan people. He added that he believed, nevertheless, that the Constituent Assembly and the people would demand that he continue in power. He said it is his understanding that the procedure decided upon by those directing the movement is for the Assembly to make no amendment to the articles relating to Presidential succession but to submit the question of his remaining in power to a general election in which women and foreign residents will also be permitted to vote. He added that the elections would be entirely free and honest. He disclaimed any participation in the movement but that it had universal support.

I made no substantive comment after my initial expression of the Department's attitude.

HANNA

814.00/1207 : Telegram

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

GUATEMALA, May 10, 1935—3 p.m.

[Received 6:45 p.m.]

23. My telegram No. 21, May 10, 1 p.m. [11 a.m.] Following my usual custom I called on the Minister of Foreign Affairs²⁷ immedi-

²⁷ A. Skinner Klée.

ately after seeing the President and expressed the Department's attitude to him. He commented at length in defense of the movement, his principal points being the practical problem presented as against the technical, the universal desire that President Ubico continue in power, the lack of anyone competent to succeed him, the right of the forthcoming Constituent Assembly to modify the decisions of the preceding one and the sovereign right of the people to decide the whole matter. He placed particular emphasis on the point of legality and seemed to think that it could be decided by the Guatemalan people only. I expressed no opinion on any of the points raised.

HANNA

814.00/1213

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

No. 645

GUATEMALA, May 11, 1935.

[Received May 15.]

SIR: I have the honor to report that immediately after the receipt on May 8 of the Department's telegram No. 15, May 7, 2 p.m., I requested a conference with President Ubico which was arranged for May 10, the President being absent from the capital on May 9. In making my request of the Minister for Foreign Affairs, I told him that the purpose of my call on the President was to inform him of the attitude of the Government of the United States with respect to the effort now being made to amend the articles of the Guatemalan Constitution concerning succession to the Presidency, and to continue President Ubico in power.

When I called on the President on the tenth instant he received me in his customary cordial manner and maintained a very friendly attitude throughout our brief conference. I opened the conversation by saying that I had requested the conference with him to lay before him, by instruction of the Department of State, the attitude of the Government of the United States with respect to the movement being made here to amend the articles of the Constitution which relate to succession to the Presidency. I added that, in order to express faithfully the attitude of my Government as it had been transmitted to me, I had translated the statement of its attitude and, with his permission, would read it to him. I then read him a Spanish translation of the following statement:

In view of the peculiarly close and friendly relations between the United States and Guatemala, and considering that the Government of the United States has of course the highest esteem and regard for the present President of Guatemala, the Government of the United States deems it particularly desirable that President Ubico should not misunderstand the attitude of the Government of the United

States with respect to the effort now being made to alter the Guatemalan Constitution and to continue President Ubico in office.

The Department of State does not of course wish to convey the impression that it is endeavoring to advise President Ubico concerning the course he should follow, which, naturally, is a matter for his own decision, but the Department nevertheless believes that it should make very clear to President Ubico that the Government of the United States is not in sympathy with any effort to alter the Guatemalan Constitution illegally or to continue President Ubico in office contrary to the provisions of that Constitution.

When I had completed reading the President immediately remarked that the clear meaning of the statement was that the Department of State did not desire him to continue in the Presidency, and then he added that he wanted to assure me that it was not his wish either and that he would not continue in power if it was not the unanimous wish of the people of Guatemala. He said that, as I would see when the Assembly convenes, he would make these points very clear in his message to it.

He reminded me that his recommendations to the Legislative Assembly for amendments to the Constitution did not embrace the articles relating to the succession in the Presidency, but that the movement to change these articles was a spontaneous manifestation of the desire of the Guatemalan people, in fomenting which he had had no participation whatsoever.

He said that, in spite of the disclaimer of any desire to continue in office which he proposed to make to the Constituent Assembly, he was satisfied that the Assembly nevertheless would insist on his continuing in the Presidency and that it would be supported by the Guatemalan people.

He then described the method by which the matter is to be presented to the Guatemalan people for their decision. He was careful to say that he had been informed by those directing the movement that this was to be the method. He said that the Assembly would make no amendment whatsoever to the articles in question but would formulate a resolution to the effect that he should be continued in office and that this would then be submitted to popular vote in a general election at which women and foreign residents of Guatemala would be permitted to vote. He seemed to take it for granted that such elections would be held, because he said that I could be assured that the elections would be honestly, fairly, and impartially conducted and would give a correct expression of the wish of the people of Guatemala. He added that if even a small percentage of the electorate should vote against his remaining in power he would not even consider continuing in office.

In the course of our conversation he entered upon a discussion of the benefits which would result from the amendments to the Constitution proposed by him, but he appeared to realize that this dis-

cussion was extraneous to the issue I had presented and speedily terminated it.

I expressed no opinion nor made any substantive comment during the conversation which followed my presentation of the Department's attitude. In order that there might be no doubt as to whether I had understood him correctly, I did remark that I had understood him to say that, in spite of his desire not to continue in power, he believed that the Constituent Assembly and the Guatemalan people would insist upon his doing so, and he confirmed my understanding of what he had said.

Immediately on leaving the President, I called on the Minister for Foreign Affairs and read to him also the statement I had read to the President. I told him nothing of the subsequent conversation I had with the President.

The Minister apparently attached particular significance to the word "illegally" in the statement and immediately inquired concerning what tribunal or person was to decide whether or not the procedure is legal. Of course, I made no response. He said it could not certainly be submitted to the Hague, or to the Jurists of Chile, or to the Supreme Court of the United States, in spite of the high reputation of all of them. He said it would seem to be a question for Guatemala to decide and that the only tribunal qualified to give a decision was the Guatemalan people.

The Minister continued by saying that the question had a practical as well as a legal or technical phase and that both must be considered. He said that from the practical view-point it appeared to be imperative that President Ubico should continue in power. He said there was no one who could carry out the program initiated by President Ubico and insure honest and efficient Government. He said there is no opposition of any importance and that there are no aspirants for the Presidency. He said that if those who have been mentioned as possible aspirants should be consulted they would be the first to disclaim any desire for the office at this time and to insist on the continuance of President Ubico in the office. He mentioned himself and General Anzueto ²⁸ and Mr. Recinos ²⁹ in this connection. He recalled that the latter recently made a visit to Guatemala and did nothing during that visit to indicate any desire to be a candidate but had, on the contrary, publicly stated since his return to Washington that he was a partisan of President Ubico's remaining in the Presidency. He said that all of these factors must be considered in view of their great importance and that it is universally agreed in Guatemala that the good of the nation demands that there should be no change in

²⁸ Roderico Anzueto, former director of National Police.

²⁹ Adrián Recinos, Guatemalan Minister in the United States.

the Presidency. He said that Guatemala, after many years of corrupt and inefficient government, had at last found an honest and able President, and desired to keep him in the office.

In this connection and by way of illustration, the Minister mentioned recent political events in Uruguay and Santo Domingo and the effect they had on Presidential succession in those countries. He also mentioned the recent decision of the Supreme Court of the United States in the gold case and seemed to think that it was a case in which the practical questions involved had much weight in determining the final decision.

He then discussed the legal side, or, as he termed it, the technical side of the question. He said many difficult questions were presented as for example to what extent and over what period of time can a Constituent Assembly bind a nation? Cannot the people at any time give a mandate to a Constituent Assembly to change the decisions of a former Assembly? Could the people, through their Constituent Assembly in 1927, fix a rule which could not be altered except by a procedure extending over a period of twelve years, and make it impossible for that rule to be changed in a less period of time if the people so willed? Are the people to be denied the right to change what is discovered to be a mistake as soon as the discovery is made? If the period fixed by the Constituent Assembly of 1927 had been for fifty years instead of twelve, will anyone maintain that the people of that generation could impose their will in this manner upon the people of two succeeding generations? He terminated this part of his conversation by saying that the people are supreme and it is for them to decide.

He said there were ways by which President Ubico could continue to exercise a controlling influence in Guatemalan affairs without remaining in the Presidency but that they involved deception and subterfuge completely foreign to the President's character and to which he would not be a party. He mentioned in this connection the role which General Calles has played in Mexican affairs since he left the Presidency of that country, and condemned it as a procedure which neither President Ubico nor the Guatemalan people would subject themselves to. He said there was even a Constitutional method by which President Ubico could continue in the Presidency, and showed me Clauses 7 & 8 of Article 52 of the Constitution which specify as attributes of the Legislative Power the right to grant permission to the President of the Republic to absent himself from national territory, and to appoint, with the approval of the President of the Republic, the person who should act in place of the President during such absence. He implied that it would be simple to find a candidate who would lend himself to this method for continuing Presi-

dent Ubico in office but that it was unthinkable that the President would be a party to such an arrangement or that the Guatemalan people would submit to it.

The Minister seemed to be considerably disturbed by the Department's message to President Ubico and was even quite specific in expressing a wish to know if it had a meaning broader than its literal implication, but his conversation indicated that he was quite convinced that the situation demanded the continuance of President Ubico in office and that a failure to do so might involve the country in serious difficulties.

Throughout our conversation, I studiously took the attitude of an interested listener and expressed no opinion concerning the Minister's views.

Respectfully yours,

MATTHEW E. HANNA

814.00/1214

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

No. 646

GUATEMALA, May 14, 1935.

[Received May 20.]

SIR: Supplementing my despatch No. 645, of May 11, 1935, I have the honor to report that, in response to a verbal request of the Minister for Foreign Affairs for copy of the statement expressing the non-sympathy of the Government of the United States with any plan to amend the Guatemalan Constitution illegally and to continue President Ubico in power contrary to its provisions, I called on the Minister for Foreign Affairs on May 13 and showed him the English version of the statement.

He studied the statement with some care before handing it back to me in the course of which he made somewhat rambling comment which indicated that he was searching for some ulterior interpretation. Finally he inquired if "to continue President Ubico in office contrary to the provisions of that Constitution" meant contrary to the Constitution as it now is or contrary to it after some possible amendment of its provisions. I told him that, so far as I knew, the statement meant what it purported to say and that it had not occurred to me to search for any hidden meaning. I added that my understanding was that the Department felt that it was under an impelling obligation to clarify the attitude of the Government of the United States and particularly to remove all possibility of a misinterpretation of its attitude if by chance an incorrect impression concerning it should have been formed here. The Minister did not pursue the point but then proceeded to enlighten me concerning President Ubico's reaction to the statement. He said the President was pained

that the Department should have felt compelled to make the statement, and thought that perhaps it would have refrained from doing so had it waited until his views on the subject were made public in the message he will send to the Constituent Assembly. The Minister expressed the opinion that the message will present the matter in a new light and will make quite clear the logic and reasonableness of President Ubico's attitude. He said the President felt that he could not disregard the spontaneous and universal demand made by all classes of the Guatemalan people but, on the contrary, must bow to it however reluctant he might be to do so, once the existence of such a demand is established beyond doubt by the unanimous vote of the Constituent Assembly and by the Guatemalan people in a general election. He said the President always has been a firm supporter of the principles of the Constitution concerning succession to the Presidency, and was in fact one of its original advocates. He added that the President will oppose any change in those principles but felt that making an exception to them in response to the unanimous will of the Guatemalan people presents a very different question.

He stated further that the President in discussing the matter with him mentioned particularly, as adding to his surprise and pain, the seeming disregard of the friendly and loyal manner in which his Government had cooperated with the Government of the United States, and the personal attention he had given uniformly to all matters affecting American interests in Guatemala, concerning which he enumerated a number of instances. I assured him that there was no lack of appreciation on the part of the Government of the United States for the cooperation of President Ubico's government but that, on the contrary, the former's sense of appreciation as well as the peculiarly close and friendly relations between the two countries, combined with the high esteem which the Government of the United States has for President Ubico, made it particularly desirable that there should be no mistaken interpretation of the attitude of the Government of the United States.

In response to an inquiry from me, the Minister said that the Constituent Assembly probably will take speedy action on this particular matter and would remain in session until the results of the general election had been announced. He seemed to think that the elections would be held before the end of this month and that the whole matter would be definitely decided in the early days of June.

When the Minister was studying the statement and making observations concerning possible hidden meanings in it, he went out of his way to say that of course nothing would be done which would in the faintest way resemble a "golpe de estado". It would appear that

he might have had in mind the Washington Treaty of 1923³⁰ concerning nonrecognition.

Arrangements are being completed for the opening session of the Constituent Assembly tomorrow, and invitations to be present have been sent to the members of the Diplomatic Corps.

Respectfully yours,

MATTHEW E. HANNA

814.00/1197

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

No. 199

WASHINGTON, May 24, 1935.

SIR: Reference is made to your despatches No. 645 of May 11, 1935 and No. 646 of May 14, 1935, concerning your interviews with President Ubico and the Minister of Foreign Affairs of Guatemala, during which you read a Spanish translation of a statement, embodied in your despatch No. 645, purporting to set forth the attitude of this Government with respect to the effort being made to alter the Guatemalan constitution and continue President Ubico in office.

The Department does not consider that the statement you prepared accurately transcribes the contents of its telegram No. 11 of April 30, 6 p.m., which you were authorized, in the Department's telegram No. 10 of April 30, 5 p.m.,³¹ to show to President Ubico.

In its telegram No. 11, the Department carefully refrained from referring to, or from stating that this Government had any attitude toward, the present movement to continue President Ubico in the Presidency. Without expressing any opinion concerning the legality or illegality of any procedure which might be contemplated, the telegram was intended solely to correct any impression which might already exist that this Government had adopted an attitude toward the reported movement, and that the attitude was one of sympathy.

Until the receipt of the Legation's despatch No. 607 of April 16, 1935, to which the Department referred in its telegram No. 11, it was not the Department's intention to address to the Legation any communication on the subject of the reported movement to continue President Ubico in office. However, in your despatch referred to, after reporting that President Ubico was much concerned as to how his action would be received in Washington, you reported having stated to one or two private individuals close to President Ubico that you felt justified in expressing the hope that a way could be found to give legality to President Ubico's remaining in the Presi-

³⁰ Signed February 7, 1923, *Conference on Central American Affairs, Washington, December 4, 1922-February 7, 1923* (Washington, 1923), p. 287.

³¹ Not printed.

dency, if that were humanly possible. You also reported that you had made some mention as to the ease with which the question could be submitted to a popular referendum. The Department considered, in view of these reported conversations with persons close to President Ubico, that the latter might be supposed to have gained the impression that the Legation, and presumably the Government of the United States, actively sympathized with the movement to continue him in office.

The Department does not approve of your having informed President Ubico that "the Government of the United States deems it particularly desirable that President Ubico should not misunderstand the attitude of the Government of the United States with respect to the effort now being made to alter the Guatemalan constitution and to continue President Ubico in office".

The Department, in its telegram No. 11, did not define any attitude of this Government and carefully refrained from making any reference to the present movement to continue President Ubico in office.

Neither does the Department approve of your statement that "the Department nevertheless believes that it should make very clear to President Ubico that the Government of the United States is not in sympathy with any effort to alter the Guatemalan constitution illegally or to continue President Ubico in office contrary to the provisions of that constitution". The statement just quoted gives the impression that the Government of the United States is opposed to any effort to alter the Guatemalan constitution illegally or to continue President Ubico in office contrary to the provisions of that constitution. The truth is that this Government has no attitude, either of sympathy or lack of sympathy, toward any movement of the nature referred to.

Since both President Ubico and the Minister of Foreign Affairs appear to have gained the impression that this Government is opposed to President Ubico's continuance in the Presidency, you are instructed to take such informal steps as you may consider appropriate in order to make it clear to those two officials that this Government has no attitude, either of sympathy or lack of sympathy, toward any movement of the character being discussed and neither approves nor disapproves of whatever action may be contemplated, which it considers an internal matter, in which it cannot intervene.

Very truly yours,

For the Secretary of State:
SUMNER WELLES

814.00/1223

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

No. 669

GUATEMALA, June 3, 1935.

[Received June 10.]

SIR: I have the honor to report that I have complied with the Department's strictly confidential instruction No. 199 of May 24, 1935.

I made an appropriate oral statement to the Minister for Foreign Affairs on May 31 and a practically identical statement to President Ubico today. I concluded my statement to both of them by saying that "the Government of the United States has no attitude, either of sympathy or lack of sympathy, toward any movement such as the present movement to continue President Ubico in power and neither approves nor disapproves of whatever action may be contemplated, which it considers an internal matter in which it cannot intervene.["]

The Minister for Foreign Affairs expressed pleasure when I had concluded. He said that Guatemala's situation would be most difficult if it could not count on the friendship of the United States, and that the assurance I had just given him, which could be looked upon as being in the nature of a declaration of neutrality, was most gratifying. He added that he was confident that the final outcome of the present movement would represent the will of the Guatemalan people and would furnish the only possible solution for the difficult problems confronting Guatemala in the immediate future.

President Ubico appeared to be pleased although he indicated his pleasure only indirectly by a reference to the importance that the friendship of the United States has for Guatemala. He followed this by saying that he would not continue in the Presidency if the opinion of the Guatemalan people when collected on the 22nd, 23rd, and 24th days of this month should reveal that they do not wish him to remain in the office.

With both the President and the Minister for Foreign Affairs the conversation on this topic was terminated by my introducing the subject of the trade agreement as presented in the Department's instruction No. 198, of May 21, 1935,³² on which a separate report is being submitted.

I regret that the former statement I made to President Ubico and to the Minister for Foreign Affairs in this connection did not accurately transcribe the thought the Department wished to convey to me in its telegram No. 11, of April 30, but the statement, of course, expressed my understanding of that telegram.

If it were at all probable that such an error could be made, I would be compelled to think that the telegram was not correctly transmitted

³² *Ante*, p. 591.

to me. In no other way can I reconcile the assertion in the instruction under reply that

"in its telegram No. 11, the Department carefully refrained from referring to, or from stating that this Government had any attitude toward, the present movement to continue President Ubico in the Presidency",

and the further assertion that

"the Department, in its telegram No. 11, did not define any attitude of this Government and carefully refrained from making any reference to the present movement to continue President Ubico in office",

with the Department's instruction in that same telegram No. 11 that I should take whatever steps I might deem necessary

"to assure that the impression if it exists that this Government sympathizes with any plan to amend the Guatemalan Constitution illegally or to continue President Ubico in power contrary to its provisions be not allowed to remain uncorrected",

and with the further statement in that telegram that it was believed to be

"particularly desirable that no mistaken interpretation as to the attitude of this Government be permitted to arise".

I repeat that I regret exceedingly that my statement to the President and the Minister for Foreign Affairs did not express the exact shade of meaning the Department wished to convey, but I may point out that the telegrams exchanged in this connection between the Department and the Legation subsequent to the Department's telegram No. 11, of April 30, had an important influence on the wording of the statement.

In my telegram of May 2 I confirmed the Department's confident expression made in its telegram No. 11 that, in my conversations here, I had not given the impression that the Government of the United States was "sympathetic with any effort which may be contemplated to alter the Guatemalan Constitution illegally or to continue President Ubico in office contrary to the provisions of that Constitution", and I added that, moreover, I had no valid reason to think that such impression existed here; and in my subsequent telegram of May 5 I emphasized my belief that President Ubico had not the slightest justification for thinking that the Government of the United States could possibly sympathize with the movement under consideration. Nevertheless, the Department's telegram of May 7, in response to my telegrams just mentioned, stated that it believed that it should not "run the slightest risk of allowing a misunderstanding of its position to exist in the mind of President Ubico", and that it therefore desired me either to show telegram No. 11 to President Ubico or to explain the Department's position as set out in that telegram. The Department

added, for my information only, certain observations concerning the effect President Ubico's action in this situation might be expected to have on the political developments in Central America, and of course I took these observations into consideration when I framed my statement.

In view of these antecedents which indicated the Department's anxiety to eliminate all possibility of misunderstanding in this matter, I had not the slightest doubt but what I was carrying out the Department's desire when I told President Ubico and the Minister for Foreign Affairs that "the Government of the United States is not in sympathy with any effort to alter the Guatemalan Constitution illegally or to continue President Ubico in office contrary to the provisions of that Constitution", because this seemed to me to be the natural and positive way to comply with the Department's instruction in its telegram No. 11 "to assure that the impression if it exists that this Government sympathizes with any plan to amend the Guatemalan Constitution illegally or to continue President Ubico in power contrary to its provisions be not allowed to remain uncorrected". My conception of the proper way to correct an impression that the Government of the United States did sympathize with any plan was to say that it did not sympathize with it.

This small incident, however, has been of positive benefit in the end, because the clear and concise statement of the position of the Government of the United States as set forth in the last paragraph of the instruction under reply, is a precise definition of our attitude and is in complete harmony with the "good neighbor" policy.

Respectfully yours,

MATTHEW E. HANNA

814.00/1230

The Chargé in Guatemala (O'Donoghue) to the Secretary of State

No. 692

GUATEMALA, June 25, 1935.

[Received July 1.]

SIR: Confirming the Legation's telegram No. 32 of today's date,³³ I have the honor to report that the three day "Consultation" held on June 22, 23, and 24, with reference to the continuance in office of President Ubico, was conducted throughout the Republic in a peaceful manner. Early, but at the same time practically conclusive, returns indicate that 843,168 affirmative opinions were registered and 1,227 negative. These figures compare very favorably with the 310,235 votes registered in favor of General Ubico at the time of the Presidential election in 1931.

Respectfully yours,

SIDNEY E. O'DONOGHUE

³³ Not printed.

814.00/1239

The Chargé in Guatemala (O'Donoghue) to the Secretary of State

No. 716

GUATEMALA, July 22, 1935.

[Received July 29.]

SIR: Supplementing the Legation's despatch No. 711, of July 12, 1935,³⁴ with reference to the action of the Constituent Assembly in prolonging the term of office of General Ubico to March 15, 1943, I have the honor to transmit herewith a copy and translation of Note No. 8130, of July 17, 1935, from the Foreign Minister. The note reviews the results of the "Consultation" of July [June] 22, 23, and 24 and cites them as demonstrating the almost unanimous wish of the people to continue General Ubico as the Chief Executive of the nation. The Foreign Minister stated that one of the principal objects which General Ubico had in mind was to devote his labor to the maintenance and consolidation of the cordial relations which happily exist between the United States and Guatemala.

I may add that practically identical notes were sent to the other Diplomatic Missions in Guatemala.

I have sent a note to the Foreign Minister simply acknowledging the receipt of his communication and stating that it has been referred to the Department.

Respectfully yours,

SIDNEY E. O'DONOGHUE

[Enclosure—Translation]

The Guatemalan Minister for Foreign Affairs (Skinner Klée) to the American Chargé (O'Donoghue)

No. 8130

GUATEMALA, July 17, 1935.

MR. CHARGÉ D'AFFAIRES: I have the honor to inform Your Honor that, in view of the movement of public opinion presented to the Legislative Assembly during its ordinary sessions of this year, to the effect that General Jorge Ubico continue in the Presidency of the Republic after the 15th of March, 1937, that High Body considered it meet to refer the matter to the Constituent Assembly which had to convene for the reform of certain Constitutional Articles.

Upon the inauguration of the sessions of the Constituent Assembly, General Ubico deemed it opportune to declare, in the opening message, his firm determination that before considering the matter of his continuance in power, the opinion of the country should be consulted by plebiscite without excluding foreigners and without distinction as to sex. The plebiscitary Consultation was celebrated during the days of 22, 23, and 24 of June, last, and resulted in 884,703 affirmative votes

³⁴ Not printed.

and 1227 negative. These figures demonstrate that almost the unanimous public of the country favors the permanency of General Ubico at the head of the destinies of the nation.

The Constituent Assembly, informed of the result of the Consultation and after carefully examining the actual conditions of the country, decreed, on the 11th of July, that the constitutional period of General Ubico shall terminate the 15th of March, 1943.

One of the principal objects of General Ubico is to work zealously for the maintenance and consolidation of the cordial relations which happily unite Guatemala and the United States. The Government of Guatemala, to that noble end, harbors the hope of counting on the most valued cooperation of Your Honor.

I avail myself [etc.]

A. SKINNER KLÉE

814.001 Ubico, Jorge/61

*President Ubico to President Roosevelt*³⁵

[Translation]

GREAT AND GOOD FRIEND: I have the honor to advise you that, in view of the movement of public opinion shown before the Legislative Assembly during its last regular sessions, to the effect that I should continue the presidential term for which I was elected, beyond March 15, 1937, that August Body deemed fit to refer the matter to the Constitutional Assembly which was to meet to amend certain articles of the constitution.

Upon inaugurating the sessions of the said Constitutional Assembly, I deemed it opportune to manifest in the opening message my firm purpose that, before it considered the matter of my remaining in power, it should consult the opinion of the country, without excluding the resident foreigners, and without distinction of sex. The plebiscite was held during the days of June 22, 23 and 24, last, with the result of 884,703 votes in the affirmative and 1,227 in the negative. These figures show that the population of the country, almost unanimously, voted favorably on the petition submitted upon the initiative of the Municipalities of the Republic.

The Constitutional Assembly, on the basis of the result of the plebiscite, and after the careful examination of present conditions in the country, decreed, on the 11th of this month of July, that I should continue in the Presidency of the Republic until March 15, 1943.

In communicating the foregoing to Your Excellency it gives me pleasure to express to you that, in the discharge of my high office,

³⁵ Transmitted to the Secretary of State by the Guatemalan Minister for Foreign Affairs under covering letter dated August 26, 1935; received September 17.

I shall constantly strive for the maintenance and strengthening of the bonds of cordial friendship which happily exist between our two countries, and to that end I cherish the hope that I can depend upon the valued cooperation of Your Excellency. I beg you to accept the sincere good wishes that I formulate for the increasing prosperity of your nation, our friend, and for the personal happiness of Your Excellency.

I have [etc.]

JORGE UBICO

(Countersigned)

A. SKINNER KLÉE

GUATEMALA, July 30, 1935.

814.00/1247 : Telegram

The Secretary of State to the Chargé in Guatemala (O'Donoghue)

WASHINGTON, September 10, 1935—2 p.m.

26. Your letter of August 23 ³⁶ to Beaulac.³⁷ The Department had not considered that a reply by it to the Minister of Foreign Affairs' note of July 17 was called for, inasmuch as that note was addressed to the Legation and not to the Department. However, if the Minister of Foreign Affairs expects this Department to reply, it will be glad to do so, provided that other governments have made similar replies. Please ask the Minister of Foreign Affairs what replies he has received from the other Central American Governments and telegraph a summary of them, transmitting copies by air mail if available.

HULL

814.00/1250 : Telegram

The Chargé in Guatemala (O'Donoghue) to the Secretary of State

GUATEMALA, September 10, 1935—5 p.m.

[Received 8 p.m.]

44. Department's telegram No. 26, September 10, 2 p.m. Have just seen Minister for Foreign Affairs who showed me replies to note of July 17, from representatives of governments with which Guatemala has diplomatic relations. Mexican Ambassador gave direct reply on behalf of his Government expressing friendship and cooperation. Ministers of Central American states replied on behalf of their Governments; Honduras, Salvador and Costa Rica transcribing letters from their Foreign Ministers highly eulogizing President Ubico and his statesmanlike qualities, expressing warm sentiments of fraternal friendship and promising cooperation. Spanish Govern-

³⁶ Not printed.

³⁷ Willard L. Beaulac, Assistant Chief, Division of Latin American Affairs.

ment has also expressed its admiration for General Ubico and proffered cooperation. Ministers of all other countries replied directly to Doctor Skinner Klée's note of July 17, on behalf of themselves and their governments.

Copies of replies from Central American Governments being transmitted by air mail September 15.³⁸

Minister for Foreign Affairs told me that despite no communication from the Department he had 4 days ago sent Recinos an autograph letter from President Ubico for President Roosevelt informing him of action of Constituent Assembly.

It is the intention of the Government to publish all replies to note of July 17, in book form.

O'DONOGHUE

814.00/1250 : Telegram

The Secretary of State to the Chargé in Guatemala (O'Donoghue)

WASHINGTON, September 12, 1935—4 p.m.

27. Your despatch 716, July 22, and your telegram 44, September 10, 5 p.m. You should address the following note to the Minister for Foreign Affairs:

"I have the honor to refer to Your Excellency's courteous note to this Legation of July 17, 1935, a copy of which I duly transmitted to my Government. I have now been instructed to inform Your Excellency that my Government has taken note of the contents of Your Excellency's communication, and that it warmly reciprocates the cordial sentiments contained therein."

HULL

814.00/1255 : Telegram

The Minister in Nicaragua (Lane) to the Secretary of State

MANAGUA, September 20, 1935—3 p.m.

[Received 6:37 p.m.]

77. My telegram No. 66, September 4, noon.³⁹ Minister for Foreign Affairs read to me this morning letter of July 30th recently received from President Ubico to President Sacasa informing latter of decision of Constituent Assembly to suspend certain articles of Guatemalan Constitution until 1943. Minister promised to inform me of the nature of the President's reply.

In strict confidence he said that he is sounding out other Central American countries regarding their replies and expressed the hope that we would inform him of ours. I said I would transmit his request to the Department.

LANE

³⁸ Despatch No. 762, September 13, not printed.

³⁹ Not printed.

814.00/1255

The Secretary of State to the Minister in Nicaragua (Lane)

No. 337

WASHINGTON, September 25, 1935.

SIR: With reference to your confidential telegram No. 77 of September 20, 3 p.m., an autographed letter dated July 30, 1935, has been received from President Ubico of Guatemala, announcing his continuance in office until March 15, 1943. The usual reply will be made by the President to the autographed letter.

In this connection there is enclosed a copy of a note of the Minister of Foreign Affairs of Guatemala to the American Legation at Guatemala, dated July 17, 1935, announcing that the term of office of President Ubico will end on March 15, 1943. This note was referred to the Department by the Chargé d'Affaires ad interim at Guatemala who reported that identical notes had been addressed to the other Legations in Guatemala and that all of the Central American Legations had replied on behalf of their governments. A copy of the note of the Nicaraguan Legation, in which the Chargé d'Affaires states that he is acting under instructions from his Government, is enclosed for your confidential information.⁴⁰

Upon receipt of copies of the replies of the Central American Governments, the Department, on September 12, 1935, instructed the Chargé d'Affaires ad interim in Guatemala to address the following note to the Minister for Foreign Affairs:

"I have the honor to refer to Your Excellency's courteous note to this Legation of July 17, 1935, a copy of which I duly transmitted to my Government. I have now been instructed to inform Your Excellency that my Government has taken note of the contents of Your Excellency's communication, and that it warmly reciprocates the cordial sentiments contained therein."

You are authorized to communicate the foregoing information or any part of it orally and confidentially to President Sacasa.

Very truly yours,

For the Secretary of State:
WILLIAM PHILLIPS

814.001 Ubico, Jorge/69

*President Roosevelt to President Ubico*⁴¹

GREAT AND GOOD FRIEND: I have received the letter of the 30th of July last, in which Your Excellency announced your continuance in the office of the Presidency of Guatemala for the term ending March 15, 1943, by virtue of the result of a plebiscite held in June and a decree of the Constitutional Assembly of July 11, 1935.

⁴⁰ Not attached to file copy.

⁴¹ Transmitted with covering letter from the Secretary of State to the Guatemalan Minister for Foreign Affairs with Department's instruction No. 235, November 4, to the Chargé in Guatemala.

I cordially reciprocate the sentiments you express for the continuance of the friendly relations existing between the United States of America and Guatemala, and I assure Your Excellency of my best wishes for your personal welfare and for the prosperity of the Republic over which you have been called to preside.

Your Good Friend,

FRANKLIN D. ROOSEVELT

By the President:

CORDELL HULL,

Secretary of State

WASHINGTON, September 26, 1935.

814.00/1255 : Telegram

The Secretary of State to the Minister in Nicaragua (Lane)

WASHINGTON, October 8, 1935—2 p.m.

58. Department's confidential instruction, No. 337, September 25. The Department desires you to make no further statement which might appear to commit this Government to any action in accordance with any of the provisions of the Central American General Treaty of Peace and Amity of 1923,⁴² or which might be intended to imply the possibility of any such action.

HULL

814.001 Ubico, Jorge/70

The Chargé in Guatemala (O'Donoghue) to the Secretary of State

No. 816

GUATEMALA, November 11, 1935.

[Received November 15.]

SIR: I have the honor to acknowledge the receipt of the Department's instruction No. 235, of November 4, 1935,⁴³ transmitting an autographed letter from President Roosevelt addressed to President Ubico as well as a covering note⁴³ from the Secretary of State to the Guatemalan Foreign Minister. In accordance with the Department's instruction I personally delivered both documents to Dr. Skinner Klée the afternoon of November 9, the day of their receipt. The Foreign Minister indicated pleasure with the manner in which President Roosevelt's letter was phrased and he immediately transmitted it to President Ubico.

As perhaps indicative of the importance which the Government here attributes to the President's autographed letter, I am transmitting herewith the first page of the November 10 edition of *El Liberal*

⁴² Signed February 7, 1923, *Conference on Central American Affairs*, p. 287.

⁴³ Not printed.

Progresista,⁴⁴ the official organ of the Liberal Progresista Party, containing a photograph and translation of the document in question. Further, although the Saturday evening papers were on the street at 6:30 nevertheless they too carried translations of President Roosevelt's letter although only three hours had elapsed since I delivered it to the Foreign Office.

As of possible interest I might add that President Roosevelt's letter arrived at a most opportune moment on the first of the three days of festivities in celebration of President Ubico's birthday.

Respectfully yours,

SIDNEY E. O'DONOGHUE

⁴⁴ Not reprinted.

HAITI

RECIPROCAL TRADE AGREEMENT BETWEEN THE UNITED STATES AND HAITI, SIGNED MARCH 28, 1935¹

611.3831/104 : Telegram

The Minister in Haiti (Armour) to the Secretary of State

PORT-AU-PRINCE, January 3, 1935—1 p. m.

[Received 3:30 p. m.]

1. For Welles.² Pixley³ and I have had further talks with Hibbert⁴ and I have conveyed to him the contents of the Department's telegram No. 100, December 31, 3 p. m.⁵

He informs us that Blanchet⁶ is being instructed to assure you and the Secretary that the Haitian Government has no intention of repudiating or doing anything to reverse the Montevideo commitments.⁷ His position is based solely on loss of revenue which he feels would endanger the budget. Furthermore, the French and Italians who take the bulk of Haitian coffee have notified the Haitian Government of their intention to negotiate new treaties and Hibbert fears that if reductions proposed by the United States which takes so little from Haiti are accepted aside from losses mentioned it would serve as a dangerous precedent for these countries which are not bound by Montevideo commitments and which are frankly advocates of the "donnant donnant" principle.

ARMOUR

611.3831/119

*Memorandum by the Chief of the Division of Latin American Affairs
(Wilson)*

[WASHINGTON,] January 22, 1935.

At my request Minister Blanchet, with Mr. de la Rue,⁸ came in. Mr. Trueblood⁹ was present. I said that I understood that a serious

¹ For previous correspondence, see *Foreign Relations*, 1934, vol. v, p. 308.

² Sumner Welles, Assistant Secretary of State.

³ Rex A. Pixley, Deputy Fiscal Representative of the Haitian Government.

⁴ Lucien Hibbert, Haitian Minister for Foreign Affairs.

⁵ *Foreign Relations*, 1934, vol. v, p. 332.

⁶ Albert Blanchet, Haitian Minister in the United States.

⁷ Resolution V, Economic, Commercial, and Tariff Policy, approved December 16, 1933, *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, 1934), pp. 196-198.

⁸ Sidney de la Rue, Fiscal Representative of the Haitian Government.

⁹ Edward G. Trueblood, Divisional Assistant, Division of Latin American Affairs.

question of principle had arisen in the discussion of a trade agreement with Haiti. The recent instructions received by M. Blanchet from M. Hibbert had raised the question of whether under the most-favored-nation clause of the proposed agreement Haiti would still be free to give especially favorable treatment to certain articles of France and Italy and had pointed out that Haiti must in fact be able to grant such particular advantages to those countries. I said that we were aware of the problems faced by Haiti in her commercial relations with the two countries in question, as well as with the budgetary situation, which would show a reduction in revenues this coming year on account of the poor coffee crop. I said that we were sympathetic to all of Haiti's problems. However, as regards this matter of the most-favored-nation clause, it had been understood from the outset that our discussions with Haiti of the proposed trade agreement would rest squarely on that principle. This had been the basis for the principles on commercial policy adopted at Montevideo and only recently M. Blanchet, under specific instructions from M. Hibbert, had advised us that there could be no question of Haiti abandoning the principles of Montevideo. I said, therefore, that I was inclined to believe that there had been some misunderstanding in this matter, as I could not conceive that Haiti would decline to go along on the basis of the most-favored-nation treatment. I said that it would of course be necessary, before we could give further consideration to the agreement, to reach a definite understanding on this point, namely, that Haiti accepts the most-favored-nation clause without reservation, and that if in the future she should grant tariff reductions on the principles of the existing *avenant* to the French treaty she should extend similar treatment on like articles of American origin when imported into Haiti. I inquired whether in fact this was not the situation as it exists at present with relation to articles comprised in the French *avenant*. Both M. Blanchet and Mr. de la Rue assured me that this was the situation.

M. Blanchet spoke at some length of the difficult situation which Haiti encounters in dealing with France and Italy, whose markets for Haitian coffee are essential to Haiti. He said, finally, that he would send a cable to his Government reporting the situation which had arisen and requesting definite instructions that Haiti would be prepared to go ahead on the basis indicated above.

EDWIN C. WILSON

611.3831/115a : Telegram

The Secretary of State to the Minister in Haiti (Armour)

WASHINGTON, January 22, 1935—6 p. m.

3. A serious difficulty has now arisen in connection with the instructions sent Blanchet by Hibbert regarding Article VII of the pro-

posed agreement, which relates to most-favored-nation treatment. Hibbert has raised the question of whether this article would prevent Haiti from giving "special treatment" to specified articles of certain countries, and has instructed Blanchet to point out that Haiti must be able to grant "certain particular advantages" to France and Italy.

The foregoing instructions are of course directly contrary to the principles of commercial policy adopted at Montevideo, which specifically stated that such policy should be based upon the most-favored-nation clause in its unconditional and unrestricted form. In this connection Blanchet has assured us under instructions from Hibbert that the Haitian Government desires to carry out the Montevideo principles, and in your telegram No. 1 of January 3, 1 p. m., you reported that Hibbert had assured you to the same effect.

Before we can proceed further with consideration of the Haitian trade agreement it will be necessary to have a definite understanding that Haiti accepts the most-favored-nation clause without reservation, and that if Haiti should in the future grant tariff reductions on the principles of the existing *avenant* to the French treaty she will extend similar treatment on like articles of American origin when imported into Haiti.

We have stated the foregoing forcibly to Blanchet, de la Rue being present, requesting that he cable his Government in the matter. In view of Hibbert's declaration to you as reported in your 1, January 3, 1 p. m., regarding Haiti's desire to maintain the Montevideo principles, the Department desires you to call on Hibbert and to discuss frankly with him the situation as described in this telegram. Cable report of your conversation.

HULL

611.3831/116 : Telegram

The Minister in Haiti (Armour) to the Secretary of State

PORT-AU-PRINCE, January 24, 1935—9 a.m.

[Received 1:30 p.m.]

6. Department's telegram No. 3, January 22, 6 p. m. I have seen Hibbert and brought contents of telegram to his attention. This he states is his problem: France and Italy both demand special tariff treatment as compensation for maintaining markets for Haitian coffee. Italy has already placed an embargo on Haitian coffee pending agreement by Haiti with her tariff proposals. A French representative is expected here shortly to negotiate a new treaty and all indications are that France will demand more in the way of special treatment than conceded in *avenant* signed last year. These countries are the principal exponents of the *donnant donnant* doctrine. France particularly—and France takes the bulk of Haitian coffee—will not be satis-

fied with tariff concessions granted them in return for keeping their market open if such concessions are to be enjoyed equally by all others. Haiti cannot refuse France and Italy without losing her coffee market which would be economic suicide. And yet if the Haitian Government agrees to article VII as proposed they will have to meet France and Italy with their hands tied. He hopes we appreciate the desperate situation in which they find themselves. They do not wish to go against principles decided upon at Montevideo and if we can suggest any formula which would overcome the difficulty they will be only too glad to subscribe to it. Otherwise his first reaction is that the negotiations will have to be abandoned. Pixley was present at the interview of which full memorandum ¹⁰ sent air mail today.

ARMOUR

611.3831/120

*Memorandum by the Chief of the Division of Latin American
Affairs (Wilson)*

[WASHINGTON,] January 26, 1935.

The Haitian Minister, accompanied by Mr. de la Rue, came in today, having received instructions from his Government on the most-favored-nation question following our conference on January 22.

M. Blanchet said that his instructions indicated that there probably had been some misunderstanding of the matter by his Government. M. Hibbert cabled that there was of course no question but that Haiti desired to go ahead on the lines of the Montevideo policy, having in mind of course, as a practical matter, Haiti's difficulties when it comes to negotiating with France and Italy, whose markets for Haitian coffee are essential to Haiti. He said that his instructions were to the effect that if signature by Haiti of the proposed agreement with the most-favored-nation clause therein would not prevent Haiti's making agreements with France and Italy on the principles of the existing *avenant* to the French treaty, then Haiti would be prepared to go ahead and accept Article VII of the proposed agreement. I said that I could see no objection to this and that it amounted, as I understood it, to a continuation of the existing situation as regards the *avenant* to the French treaty. In other words, if Haiti finds herself obliged because of her trade position vis-à-vis France to make special classifications of a small number of French articles, it would of course be understood that similar treatment would be given by Haiti to like articles of American origin if in fact there were like articles of American origin imported into Haiti. If there were no like articles of American origin, then the question does not rise. It all seems to

¹⁰ Dated January 23, not printed.

be a matter of degree: if such special classifications are reasonable and kept down to a minimum there would seem to be no objection.

M. Blanchet agreed with what I had said. He then stated that the negotiations with France would probably take place shortly, prior to the time when the Haitian Legislature will be called upon to ratify an agreement with the United States. He said that if the French should insist upon obtaining such preferential advantages from Haiti as would in fact be inconsistent with most-favored-nation treatment, then Haiti would have to advise us of the situation and take counsel with us. I said that we could meet this situation as and when it arose.

It was agreed that I would have prepared a re-draft of the proposed agreement and schedules along the lines of conversations I have had recently with the Minister and Mr. de la Rue, and would present such re-draft at the earliest possible date to the Minister. Mr. de la Rue plans to sail for Haiti on Thursday, January 31 and will take a copy of the re-draft with him.

EDWIN C. WILSON

611.3831/99

The Department of State to the Haitian Legation

MEMORANDUM

With reference to the memorandum handed the Minister of Haiti on December 20, 1934,¹¹ by Mr. Welles, enclosing a draft of the proposed trade agreement between the Republic of Haiti and the United States of America, there is now attached hereto for the consideration of the Government of Haiti a draft of the proposed agreement¹² which contains a revised list of concessions and assurances which the United States is seeking, as well as a revised list of concessions and assurances which it is proposed to grant Haiti, the two lists being entitled, respectively, Schedule I and Schedule II.¹³ Such changes as have been made on these Schedules conform substantially to the decisions reached in the recent exchange of views between the negotiators acting for the two countries.

It may be pointed out that the general provisions of the attached draft agreement have been altered, since their submission to the Minister of Haiti on December 20, 1934, in order to meet certain objections brought to the attention of the negotiators of the United States by the Haitian negotiators, as well as in order to provide for certain administrative and textual changes which the United States desires at this time to include in the agreement. It is understood

¹¹ *Foreign Relations*, 1934, vol. v, p. 323.

¹² Not printed.

¹³ Neither printed.

that the Government of the United States reserves the right of suggesting such changes in these provisions as well as in the Schedules as may on further consideration seem desirable, prior to their final approval by both Governments.

The Government of the United States hopes that with the submission of the attached draft agreement, the viewpoints of the two Governments have been brought into substantial conformity, and that steps can very shortly be taken leading to the definitive approval of the agreement by the two countries.

WASHINGTON, February 1, 1935.

611.3831/123 : Telegram

The Minister in Haiti (Armour) to the Secretary of State

PORT-AU-PRINCE, February 20, 1935—11 a.m.
[Received 2 p.m.]

10. Personal for Edwin Wilson. Referring to Department's instruction No. 262, February 1.¹⁴ Haitian Government advises me today they will accept trade agreement as drafted with the exception of article 9025, schedule I,¹⁵ which they ask be stricken out.

In view of Haitian Government's acceptance reduction butter and milk products, de la Rue feels that you will probably be willing to make this small concession. He is writing a full personal explanation to you by air mail tomorrow. It is expected instructions will be sent Blanchet by same mail.

ARMOUR

611.3831/124 : Telegram

The Minister in Haiti (Armour) to the Secretary of State

PORT-AU-PRINCE, February 23, 1935—noon.
[Received 1:45 p.m.]

13. Referring to the Legation's telegram No. 10, February 20, 11 a. m., Council of Secretary of State this morning authorized Minister for Foreign Affairs to instruct Haitian Minister at Washington to proceed to signature of trade agreement as drafted with exception noted in above telegram and one or two minor changes in French text.

ARMOUR

¹⁴ Not printed.

¹⁵ This article provided for hides and skins.

611.3831/124 : Telegram

The Secretary of State to the Minister in Haiti (Armour)

WASHINGTON, March 6, 1935—7 p.m.

7. Your 13, February 23, noon. In de la Rue's letter to Wilson of February 20 he stated that the Haitian Government was not satisfied with our draft of Article IV of the General Provisions because it would permit Haiti to increase the internal tax on imported cigarettes. In the French text of the proposed agreement enclosed with de la Rue's letter the language of Article IV has been changed, but not in such manner as to attain the purpose which the Haitian Government has in mind. The French text states that Haiti is not obliged to "reduce" the present internal tax. We took this up with Blanchet this morning and he recognized that the Haitian redraft does not serve the purpose for which it was apparently intended. We agreed with Blanchet therefore that the Department would telegraph to you, for submission to the Haitian Government, the following suggested changes in the English text of Article IV (copy sent you by Wilson on February 1¹⁶): for the word "paragraph" in line 7, second sentence, substitute "Article in regard to the granting of national treatment" and add a second paragraph reading as follows:

"Cigarettes originating in the United States of America shall, after importation into the Republic of Haiti, be exempt from all internal taxes, fees, charges or exactions other or higher than those in effect on the day of the signature of this Agreement".

Please furnish the Haitian Government a copy of Article IV thus redrafted, which would seem to accomplish the purpose that the Haitian Government has in mind. We understand that Blanchet is cabling his Government regarding this re-draft stating that you will furnish the Government with the text thereof.

We have informed Blanchet that we agree to the elimination of Item 9025 of Schedule 1. This morning we went over with Blanchet the English and French texts and are in agreement on a number of small textual changes required in the French text. He stated, however, that he has no authority to accept responsibility for altering the French text as furnished by his Government. The Department therefore is preparing a revised French text which will be forwarded by Saturday's air mail for the consideration of the Haitian Government. If the Haitian Government can advise the Department by Friday of its approval of the re-draft of Article IV as stated hereinabove, we will be able to send a complete revised French text by Saturday's air mail.

We have agreed with Blanchet to issue to the press at the time of

¹⁶ Not found in Department files.

signature a summary of the general provisions of the agreement and full information regarding the schedules. The full text of the agreement would be published at a subsequent date agreed upon with the Haitian Government.

HULL

611.3831/141 : Telegram

The Minister in Haiti (Armour) to the Secretary of State

PORT-AU-PRINCE, March 19, 1935—9 a.m.

[Received 10:25 a.m.]

18. Reference to Legation's despatch No. 565, March 12,¹⁷ regarding trade agreement, and situation resulting from French representations. I am planning to leave here March 21 and an indication of Department's attitude on this question as well as bank sale plan¹⁸ would be helpful before final interview with President noon tomorrow.

ARMOUR

611.3831/141 : Telegram

The Secretary of State to the Minister in Haiti (Armour)

WASHINGTON, March 20, 1935—11 a.m.

8. Your 18, March 19, 9 a.m. Blanchet discussed with us on March 16 the situation regarding the Trade Agreement. We assured him of the Department's good offices with the French Government in an effort to prevent Haiti being forced into a position by the French demands which would make it impossible for Haiti to put into effect an unconditional most-favored-nation Trade Agreement with the United States. We expressed the view to Blanchet, with which he was in entire agreement, that Haiti would be in a much stronger position vis-à-vis France if we proceeded to the signature of the Trade Agreement. We have, of course, contemplated the possibility that the French attitude towards Haiti may prove to be such that Haiti may in fact have to advise us later on that she will be unable to put our Trade Agreement into effect. In such event, however, the responsibility would be on France for preventing the consummation of a fair and equitable Trade Agreement between Haiti and the United States.

We understand that Blanchet is awaiting confirmation of his authorization to sign the Trade Agreement and we are making tentative plans to proceed with signature today or tomorrow.

Regarding the bank sale contract, we are now awaiting word from the National City Bank through Lancaster, who is expected back in New York the 20th, regarding the attitude the bank proposes to take.

HULL

¹⁷ *Post*, p. 650.

¹⁸ See pp. 703 ff.

611.3831/152 : Telegram

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

PORT-AU-PRINCE, March 22, 1935—10 a.m.

[Received 11:45 a.m.]

20. Referring to Department's telegram No. 8, March 20, 11 a. m. In his final interview yesterday Mr. Armour took up the several points of the telegram with President Vincent who expressed himself as delighted with its contents. The President stated that he had drafted a telegram to Blanchet instructing him to apprise Department that the Haitian Senate is now prepared to vote approval of the bank purchase contract, but is awaiting definite commitments from National City Bank that for its own part it will stand by contract of May 12, 1934.

At Minister's suggestion since President Vincent expressed himself in accord with Department's views on trade agreement President added paragraph instructing Blanchet to sign agreement as now drafted. Meanwhile Haitian Government is delaying response to French commercial demands.¹⁹

CHAPIN

[For text of reciprocal trade agreement between the United States and Haiti, signed March 28, 1935, see Department of State Executive Agreement Series No. 78, or 49 Stat. 3737.]

**GOOD OFFICES OF THE UNITED STATES IN EFFECTING A RENEWAL
OF THE FRANCO-HAITIAN COMMERCIAL AGREEMENT**

611.3831/134

The Minister in Haiti (Armour) to the Secretary of State

No. 565

PORT-AU-PRINCE, March 12, 1935.

[Received March 15.]

SIR: I have the honor to refer to the Department's air mail instruction No. 273 of March 9, 1935,²⁰ transmitting one copy of the revised French text of the Trade Agreement with Haiti,²¹ together with one copy of a memorandum listing the principal departures from the French text as supplied by the Haitian Government to Minister Blanchet. There was also enclosed with the instruction one copy of a memorandum of the English text of the agreement, which I note it is expected will be the final English text to sign.

¹⁹ See section concerning the Franco-Haitian agreement below.

²⁰ Not printed.

²¹ Signed March 28, 1935, Executive Agreement Series No. 78; for correspondence concerning the negotiation of this agreement, see pp. 642 ff.

After examining these texts, I took the liberty of furnishing the Fiscal Representative²² copies of them, in view of the fact that he informs me that the copy supplied M. Blanchet²³ had not yet been received by the Haitian Government. This enabled the Haitian Government to examine the suggested final text, in anticipation of the arrival of their own copies.

This morning, the Minister for Foreign Affairs²⁴ asked Mr. de la Rue and myself to come to see him, when he informed me that the Haitian Government, after examination of the texts, had approved them and was now ready to sign the Treaty.

Before doing so, however, M. Hibbert said that he and the President felt, in all frankness, they would have to instruct M. Blanchet to present to the Department for its consideration the very serious situation in which the Haitian Government now found itself as a result of the new position which the French Government, through its Minister and Commercial Attaché here, had taken in their negotiations looking toward a new commercial treaty with Haiti. In a recent letter (personal) to the Assistant Secretary of State, Mr. Welles, I touched upon these French demands as well as the concessions the French representatives offered if the French demands were accepted by the Haitian Government. I did not have at that time, however, the text of the French memorandum²⁵ constituting an "exposé des motifs", which I am now enclosing, together with Annex I²⁵ enumerating the French products for which a reduction is demanded. It will be noted that in addition to those articles covered by the *avenant* to the Treaty signed last March, as well as the former commercial treaty,²⁶ there is attached a long list of new products covering a very comprehensive number of articles.

M. Hibbert, after handing me this memorandum to read, said it would be clear to me that virtually none of the new articles mentioned as French products came within the principle under which the *avenant* was signed, i. e., that certain specified products under the theory that they are specialties of France, and are so classified and listed by name, are given a special reduction under the Haitian tariff.

M. Hibbert added that while this was bad enough, the French Minister, in handing them this list, had pointed out that the *modus vivendi*²⁷ under which they were now functioning, the commercial

²² Sidney de la Rue.

²³ Albert Blanchet, Haitian Minister in the United States.

²⁴ Lucien Hibbert.

²⁵ Not printed.

²⁶ The *avenant*, signed March 10, 1934, extended the Franco-Haitian commercial convention of April 12, 1930. For text of the *avenant*, see *Le Moniteur, Journal Officiel de la République d'Haiti*, April 23, 1934, p. 255; for text of the 1930 convention, see *Journal Officiel de la République Française: Lois et Décrets*, July 4, 1930, p. 7434, and Martens, *Nouveau recueil général de traités et autres actes relatifs aux rapports de droit international*, 3 sér., tome xxxiv, p. 791.

²⁷ The *avenant* of March 10, 1934, constituted in effect a *modus vivendi*.

treaty having expired, would itself come to an end on April first next, and that his Government had advised him that it would be unable to extend it beyond that date. In other words, the French Government expected action on the treaty to be taken, and taken immediately. Furthermore, the Haitian Government was advised that the French Government would not hesitate if it found it necessary to do so, to close its coffee market to Haiti, if its terms were not met, pointing out that this had been done last year in the case of Brazil where of course a far larger commerce was involved.

M. Hibbert said that in view of the above, he hoped very much that the American Government would be willing to lend its good offices to help the Haitian Government in its present predicament, which appears to be as follows: If the Haitian Government signs the Trade Convention with the United States, thus committing itself to the unconditional most-favored-nation principle; and if they then found themselves compelled, in order to save their coffee market, and this implies their budget, to sign a commercial treaty with France, giving them the special treatment demanded in the attached memorandum—most of the articles named not falling within the spirit of the present *avenant* on which an agreed interpretation of Article VII of the trade convention with the United States is based—they would be compelled to grant to the United States and to all other nations enjoying most-favored-nation treatment the same concessions thus granted to France. This would have of course disastrous results on the Haitian budget—import duties constituting its principal source of revenue, for it will be recalled that, for the average Haitian budget of seven million dollars, six million dollars comes from the Customs receipts.

On the other hand, if the Haitian Government were to decide now, at the last moment, not to sign the Trade Convention with the United States, and to meet the French demands, this could be interpreted only as meaning that they had repudiated the commitments taken at Montevideo,²⁹ and as contained in the American convention, but would furthermore probably lose for them the support and assistance of the United States, on which they counted, and whose policies they had accepted, and finally might lose for them those advantages, notably in the development of the banana market which they hoped confidently would be the principal factor in solving their present economic difficulties.

For this reason, M. Hibbert ventured to hope that the American Government would be willing to lend its good offices vis-à-vis the

²⁹ Resolution V, Economic, Commercial, and Tariff Policy, approved December 16, 1933, *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, 1934), pp. 196-198.

French Government, through the French Ambassador in Washington, M. de Laboulaye, with a view to inducing the French Government to restrict its demands on Haiti, to such articles as might be interpreted as coming within the principle of the *avenant*, that is, non-competitive French specialities. M. Hibbert said that the French Minister here was aware of the agreement under which the American Government, although enjoying the benefit of most-favored-nation treatment under the Trade Convention about to be signed, would not be disposed to criticise the special treatment to be accorded French specialities of a non-competitive type as under the *avenant*, provided of course these articles were so classified and specified by name and were as stated above, non-competitive French specialities.

The French Minister and the Commercial Attaché both, he said, had seemed to appreciate the position taken by the American Government, but now they explained that they were helpless in the face of very definite and drastic instructions issued by their own government, under which they were compelled to insist upon reductions on all articles demanded in return for an agreement to maintain the present quota of Haitian coffee, and such other concessions as the French Government was disposed to make on their recommendation.

Parenthetically, it might be remarked, that at a meeting between the Haitian Minister for Foreign Affairs and the French Minister and Commercial Attaché yesterday, Mr. de la Rue was invited to be present, and explained in some detail how little practical benefit the proposed French concessions—other than coffee—constituting a quota of 10,000 tons of sugar to be admitted under the minimum tariff, and a quota of 10,000 French gallons of rum, also to be admitted under the minimum tariff, would really be to Haiti, in view of the preference accorded these products emanating from the French colonial possessions. (See memorandum covering this matter prepared by Mr. de la Rue, constituting enclosure No. 2 to this despatch.³⁰)

M. Hibbert seemed to feel, however, that if our Government would be willing to point out informally to the French Ambassador at Washington the situation as it exists, explaining the nature of the commitments taken at Montevideo, and the text of the pending Trade Convention between Haiti and the United States of America, expressing the hope that the French Government, in view of the disastrous effects upon the Haitian budget, might be willing to restrict its demands for special preference only to those articles falling within the principle of the *avenant*—that this would save the financial position of the Haitian Government and at the same time keep foreign markets open to Haitian products.

³⁰ Not printed.

Otherwise, he felt very strongly that if they proceeded to sign the Trade Convention with the United States, and then by the time he was ready to go before the Legislature to secure its ratification, the French Government had accomplished its threat to close its coffee market to Haiti (unless its demands were acceded to), he, to say nothing of the Government, would find himself in an impossible situation before the Legislature.

M. Hibbert stated that it was unfortunate that Haiti was only on the eve of real banana production and not in the position in which he hoped they would be, in some two years from now, to snap their fingers at the French threat and to look for coffee markets elsewhere, which he felt they could do once they had a secondary crop like bananas upon which to rely. Until that time came, however, it was an unfortunate fact that the French were in a position to threaten them effectively, and he felt sure that the American Government would be the first to appreciate the impossibility for the Haitian Government to ignore this French threat, which, as we would see from the demands set forth in the enclosed memorandum, is a very real one.

The above, roughly, is the gist of what M. Hibbert brought out this morning. However, the matter is more fully and thoroughly gone into in Mr. de la Rue's memorandum reporting the actual meeting of the previous day. M. Hibbert informed me that M. Blanchet is being instructed in the above sense, his object in bringing the matter to my attention merely being to ask whether I would not be willing to support them in the position they had taken. This I am the more willing to do, as I fully believe that on careful examination of the case, the Department will agree with Mr. de la Rue's statement that it seems impossible to believe that the French Government would deliberately—with full knowledge of the commitments taken by Haiti at Montevideo, not to mention the pending Haitian American trade convention—insist upon the Haitian Government abandoning these principles to which we and they are committed, or wrecking their budget through the loss of the French coffee market. After all, as is pointed out in Mr. de la Rue's memorandum, the majority of the articles listed by the French for further reduction do not come under the principle of the *avenant* which was worked out by him with the French Ambassador at Washington a year ago, nor is it possible for France to expect that any great betterment in trade will result if their demands are accepted. According to M. Hibbert and Mr. de la Rue, both French officials here recognize this, but insist on an acceptance which will embarrass Haiti simply as a political necessity to satisfy French commercial groups.

For this reason, I hope that the Department will be willing to consider favorably the Haitian request and to see what can be done vis-à-vis the French. If, as I understand, negotiations are about to be

opened looking toward the conclusion of a trade convention between France and the United States, then perhaps this fact might make the French more disposed to consider favorably such representations as the Department might feel could properly be made.

Respectfully yours,

NORMAN ARMOUR

638.5131/49 : Telegram

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

PORT-AU-PRINCE, May 21, 1935—noon.

[Received 4: 55 p.m.]

37. Legation's despatch No. 565, March 12 and Department's telegram No. 8, March 20, 11 a.m.,³¹ regarding Franco-Haitian Commercial Agreement. French Minister yesterday presented ultimatum in form of note with memorandum to the Haitian Government stating that since the trade agreement between Haiti and the United States prevents France from securing a special customs tariff enjoyed by her alone the French Government while continuing its demands for further tariff reductions insists upon a satisfactory settlement of the difficulties raised by the Haitian Government against payment in gold of the arrears of the 5 per cent loan of 1910.³²

The French Government makes contingent any renewal of its commercial agreement of 1934 upon the pledge that Haiti will enter into agreement with the French bondholders for the resumption under satisfactory conditions within 3 months of the date of signature of a French commercial accord of the service of the 1910 loan which he states is now suspended or paid in paper francs. Memorandum concludes that failure to give pledge will result in automatic application of the general French custom tariff³³ to all Haitian imports and the cancellation of the coffee quota.

Note states in part as follows:

"I should be grateful if Your Excellency would be kind enough to advise me as soon as possible and before the 26th of this month the reply of the Haitian Government. My instructions would not permit me in effect to prolong in agreement with Your Excellency and for a new and short period the agreements still in view between our two countries unless I should receive in good time the positive proof of the intention of the Haitian Government to accept the demands which I have been instructed to submit to it."

³¹ *Ante*, p. 649.

³² For text of loan contract, see *Le Moniteur*, October 26, 1910, p. 606; for further correspondence on this subject, see pp. 667 ff.

³³ République Française, Ministère des Finances, Direction Générale des Douanes, *Tarif des douanes de France: Tableau des droits d'entrée et de sortie* (Paris, Imprimerie Nationale, 1935).

De la Rue states this is first instance of which he is aware that French Government has made direct demand on Haitian Government with reference to gold payment of 1910 loan although discussions were had between French Government and State Department.

Vincent³⁴ was particularly worried when de la Rue saw him yesterday afternoon and asked de la Rue to get documents which were finally made available to him this morning by the Foreign Minister.³⁵ Foreign Minister stated that French Minister had personally protested against ratification of the American Trade Agreement when it was under consideration by National Assembly and later definitely said that Haiti closed the door to France by rookery. President Vincent has earnestly requested through de la Rue such good offices as the Department may be in a position to extend vis-à-vis French Government, since Haiti cannot meet new French demands and since Haitian policy on 1910 loan was taken in agreement with State Department. If coffee market closed as threatened on May 26th publicity is unavoidable.

Haitian Government is withholding reply in the hope that some indication may be received from the Department before May 26.

CHAPIN

638.5131/49 : Telegram

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

WASHINGTON, May 23, 1935—6 p.m.

19. Your 37, May 21, noon. We spoke with the French Chargé d'Affaires about this matter today, pointing out that there appeared to be a satisfactory basis for a commercial agreement between France and Haiti on the lines of the *avenant* of last year, and stating that for Haiti to attempt to meet the present demands of the French Government would inevitably result in serious financial and economic disorder in Haiti, thereby destroying the progress obtained through the assistance of the United States in accordance with the 1915 Treaty³⁶ in placing the finances of Haiti on a sound basis.

The Chargé d'Affaires said he would cable his Government.

HULL

³⁴ Sténio Vincent, President of Haiti.

³⁵ Yrech Chatelain.

³⁶ Signed September 16, 1915, *Foreign Relations*, 1915, p. 449.

638.5131/50 : Telegram

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

PORT-AU-PRINCE, May 24, 1935—1 p.m.

[Received 2:10 p.m.]

40. Referring to the Department's telegram 19, I have today communicated orally substance of Department's telegram above mentioned to Ministry of Foreign Affairs who thanked me and appeared relieved. He said that French Minister in reply to his request yesterday for an extension of time before answering French note of May 19th had declined to cable his Government recommending delay and had stated he must await developments. French Minister had previously complained personally to President Vincent with respect to Foreign Minister's delay in giving formal answer.

CHAPIN

638.5131/51 : Telegram

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

PORT-AU-PRINCE, May 25, 1935—2 p.m.

[Received 4:44 p.m.]

41. Referring to Department's telegram No. 19, May 23, 6 p.m., following telegram has been received from American Embassy at Paris.

"May 25, 2 p.m. From Armour.³⁷ Referring De la Rue's telegram, I have seen French Foreign Office which confirms desire French Government settlement 1910 loan question. I referred to Welles' talk with French Ambassador and urged reconsideration with view to most lenient terms possible keeping within principles *avenant*. I received impression demands due to political pressure here and that French Government must have something to show."

De la Rue's telegram was personal and briefly set forth French demands and requested unofficial inquiry.

De la Rue replied today saying that Haitian Government could not accept French demands, reference 1910 loan, as it had no money and did not admit claim but was anxious to negotiate commercial treaty based on principal points *avenant*.

Minister for Foreign Affairs shares de la Rue's belief that French Government is using Haiti as a test case to attack Montevideo commercial treaty principles.

CHAPIN

³⁷ Mr. Armour was then in Paris on leave.

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

No. 640

PORT-AU-PRINCE, May 31, 1935.

[Received June 3.]

Sir: I have the honor to refer to my telegram No. 42, of May 29, 1 p.m.,³⁹ and to previous correspondence regarding the demands of the French Government made upon Haiti as a condition for the continuance or replacement of the Franco-Haitian Commercial Accord.

The following is a brief outline of the developments in the situation since those chronicled in my despatch No. 628 of May 21, 1935:³⁹

On May 24, I communicated orally to the Haitian Minister for Foreign Affairs the contents of the Department's telegram No. 19, of May 23, 6 p.m., to the effect that the Department had conversed with the French Chargé d'Affaires in Washington and had pointed out to him the possibly serious results of the French demands. The Minister for Foreign Affairs appeared relieved and thanked me cordially for the information. He stated that the French Minister to Haiti, M. Morawiecki, had on May 23, in reply to the request of the Haitian Government for a few days' delay in answering the French note embodying the demands regarding payment in gold of the service of the 1910 French 5 per cent loan, declined to cable his Government recommending the delay, but had stated that he must await developments.

The French Minister had meanwhile complained with regard to the delay of the Haitian Government in replying to his demands, to President Vincent in a personal interview. It is also learned on good authority that the French Minister had been circulating among the principal import and export merchants in Port-au-Prince, many of whom are French or have French connections, in an endeavor to have them protest personally to the President against letting the Franco-Haitian Commercial Accord lapse.

Taking advantage of Mr. Norman Armour's presence in Paris on leave, Mr. de la Rue, the American Fiscal Representative, sent him a personal telegram on May 23, briefly setting forth the revival of the French claims for payment in gold of the service on the 1910 5 per cent French loan. Mr. Armour, it is understood, had some years ago, while counsellor of the Paris Embassy, handled this matter with the French Foreign Office. The text of Mr. Armour's telegram in reply to Mr. de la Rue, regarding the desire of the French Government for a settlement of the 1910 loan, was forwarded to the Department in my telegram No. 41, of May 23 [25], 2 p.m.

After consultation between President Vincent and Mr. de la Rue, it was decided that pending formal notification by the French Govern-

³⁹ Not printed.

ment of the lapse of the commercial agreement, the special treatment then being accorded French goods would not be modified immediately by the Haitian Government, and that in any case this would not be done for reasons of domestic politics until Monday, June 3, the day following the plebiscite on the new Haitian Constitution and the reelection of the President.

The British Minister Resident, Mr. F. M. Shepherd, informed me yesterday, that in response to instructions from his Government, he had called on the Haitian Minister for Foreign Affairs on May 27. In the course of this interview, he told him that the British Government could not be indifferent to the granting of any specially privileged commercial position to France or any other nation, pointing out from the April 1935 statistics that Great Britain had during that month taken over 40 per cent of the total of Haitian exports as compared to 22 per cent for France.

On May 25, the Haitian Foreign Office received in writing official notification from the French Minister that in view of the fact that Haiti had declined to accept the French demands including that with respect to the gold service of the 1910 loan, the Franco-Haitian Trade Accord had expired as of May 26, and that consequently the special Haitian coffee quota was abolished and that hereafter all goods of Haitian origin would pay import duties according to the rates of the French general tariff.

Mr. de la Rue informs me finally that during the course of a discussion of the situation yesterday morning, the President had agreed for the moment to accept the position without making any further overtures towards France. It was decided further to investigate the possibility of finding other outlets for coffee, including the United States and to proceed actively with negotiations with Great Britain, Canada, Belgium and Italy for commercial accords. Mr. de la Rue added that the President was furious at the reports he had heard of the French Minister's "undiplomatic" activity with respect to the local merchants, and mentioned to him that he had been seriously considering requesting his recall;—a course which Mr. de la Rue advised against.

Since writing the above despatch, the Department's instruction No. 284 of May 28, transmitting a memorandum ⁴⁰ of a conversation between Mr. Edwin Wilson and the French Chargé d'Affaires on May 23, has come to hand. I took occasion to read in translation certain portions of it this morning to the Haitian Minister for Foreign Affairs. He was particularly encouraged and interested in the remarks regarding the Department's attitude with respect to the payment in gold of the 1910 loan service.

Respectfully yours,

SELDEN CHAPIN

⁴⁰ Neither printed.

638.5131/55

*Memorandum by the Secretary of State of a Conversation With the
French Ambassador (Laboulaye)*

[WASHINGTON,] June 1, 1935.

During my conversation with the French Ambassador, I made it a point to lead up to the pending Haitian question between France and that country and to thank the Ambassador for the telegram he sent to his Government on yesterday. I stated that the trivial amount of trade involved was almost the least important part about the recent trade agreement between this Government and that of Haiti; that we were being severely criticised in this country for not making more progress with our reciprocal trade program; that the moral influence of an agreement with a small country like Haiti was very considerable, and that this was our principal interest in negotiating this agreement. I added that, while the trade involved was almost nominal, the announcement of the trade agreement with Haiti was of much aid to this Government in its very hard task of carrying forward the reciprocal trade agreement program and that we did hope the French Government, which was likewise interested in the success of this program, would consider that fact in connection with its recent demands on Haiti, and, if at all possible, would find a way to clear up this controversy with that country. The Ambassador expressed real sympathy with my viewpoint as thus stated and added that he would send another message to his Government today in the hope of securing action. He said that the change of Government over there and the confusion attending it might delay the matter.

C[ORDELL] H[ULL]

638.5131/57 : Telegram

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

PORT-AU-PRINCE, June 4, 1935—1 p.m.

[Received 1:50 p.m.]

45. My telegram No. 42, May 29, 1 p.m.⁴¹ On instructions of Haitian Government, Fiscal Representative today informed custom-houses that French imports no longer come under most-favored-nation treatment and will be subject to maximum tariff, that is, 100 per cent surcharge on former regular tariff.

Goods on high seas as of May 27 exempted.

CHAPIN

⁴¹ Not printed.

638.5131/61 : Telegram

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

PORT-AU-PRINCE, June 14, 1935—1 p.m.

[Received 4:30 p.m.]

47. In an interview with the President who this morning sent for me he said that he desired to explain the present difficult situation of Haiti caused by the lapse of the French commercial agreement and requested that I cable brief summary to the Department.

He is very much worried that the short interval remaining before beginning of August coffee harvest is not sufficient to insure markets other than France for this year's banner crop. He pointed out serious consequences if crop not sold including possibility that political enemies may make capital of failure.

He affirmed that he had information that French attitude was not unfavorable to Haiti and that there was a possibility of renewing negotiations leaving aside question of 1910 loan on basis of list of French specialties which might be accorded special treatment. He said that as French Minister had pointed out the stumbling block was article VII of our agreement. He inquired whether the United States would raise difficulties about list of French specialties. I replied that quoting from memory I thought it had already been made clear that the United States for its part had had no objection to an agreement with France on basis of a list of purely French specialties but that the last list I had seen contained not only articles which were not specialties but many of which France was not principal source of supply. In this connection it may be remarked that many of these items are those furnished by nations other than the United States who enjoy most-favored-nation treatment from Haiti, see despatch 641 ⁴² page 3 paragraph 2 regarding British protest.

I said that if a mutually satisfactory agreement could be obtained upon the old basis of *avenant* while I could not presume to speak with authority I felt that the United States would have little objection but added that naturally Department could give no reply until it had seen composition of list of French specialties.

CHAPIN

638.5131/61 : Telegram

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

WASHINGTON, June 20, 1935—2 p.m.

21. Your No. 47, June 14, 1 p.m. You may say to the President that we have already pointed out and reiterated to the French that there

⁴² Dated June 1, 1935, not printed.

appears to be a satisfactory basis for a commercial agreement between France and Haiti on the lines of the *avenant* which recently expired. You may also say to the President that the Department is surprised that the French Minister should point out as a stumbling block Article VII of our agreement, when unconditional most-favored-nation treatment is granted by Haiti to several other countries. Unless Haiti is prepared to continue to rule its commercial policy by this principle, it may of course expect that the other countries with which it trades will be forced to act accordingly. The question therefore is one of broad commercial policy which Haiti itself must decide according to its own lights. If, however, Haiti and France can resume their commercial relations on the basis of the 1934 *avenant* so as to make it possible for France to continue to enjoy the benefits heretofore granted under the *avenant*, as well as future benefits through expansion of exports to Haiti, and the unconditional most-favored-nation principle is maintained, this Government could raise no objection thereto.

While the Department believes that the negotiation of the trade agreement between France and Haiti is primarily a question between themselves, we cannot consent to any weakening of the principle involved in Article VII. The United States construes most-favored-nation treatment to mean that the lowest duty applicable to a product of France shall apply to the intrinsically like product of the United States, even though the American product does not bear the trade mark or trade name of the French product. No attempt should be made to apply this construction to particular products in advance of a concrete occasion for doing so. It is merely the test which the United States would apply if occasion should arise. As regards many items covered by the *avenant*, this construction may be of no practical importance to France since many of such products are not supplied by the United States.

HULL

638.5131/64 : Telegram

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

PORT-AU-PRINCE, June 21, 1935—1 p.m.

[Received 3:27 p.m.]

49. Department's telegram No. 21, June 20, 2 p. m. I today communicated substance of the Department's telegram to President Vincent and left memorandum.

He thanked me very much and desires me to express his appreciation of the Department's continued efforts in behalf of Haiti. He stated that word had just been received from the Haitian Minister in Paris to the effect that the French Government had declined to reconsider its position, that an understanding on the resumption of the

1910 loan service in gold francs must be agreed to before a new commercial agreement can be considered with Haiti. The President added that the Haitian Government nevertheless was making overtures to the French Legation here with respect to a new trade agreement although in view of French attitude as officially reported he was not satisfied as to the result. He did not specify upon what basis these overtures are being made. The President added that he was counting on the assistance of the Department of State as respects the French demand for the gold service of the 1910 loan.

CHAPIN

638.5131/67a : Telegram

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

WASHINGTON, June 29, 1935—noon.

23. The Department has recently and on more than one occasion strongly stressed to the French Ambassador here our point of view with respect to the French demands upon the Haitian Government in connection with the negotiation of a commercial treaty.

Before taking further action please report whether in your opinion there has been any amelioration in the French attitude with respect to:

- 1) agreement in principle with regard to the 1910 loan before negotiations for a commercial agreement are undertaken;
- 2) in the demands made beyond the terms of the *avenant* of 1934; and,
- 3) in the attitude of the French toward Article VII of our agreement.

HULL

638.5131/68 : Telegram

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

PORT-AU-PRINCE, July 1, 1935—9 a.m.

[Received 10:25 a.m.]

52. Department's 23, June 29, noon. As far as can be ascertained up to night [*now?*] there has been no change in official French attitude as respecting (1), (2) and (3). French Minister here, however, is said to have admitted unofficially and personally that he now realizes that French demands are in general excessive and that he is ready to discuss situation and endeavor to persuade his Government to take a more lenient attitude.

I have today requested an interview with the President and without mentioning Department's telegram will endeavor to find out latest.

CHAPIN

638.5131/69 : Telegram

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

PORT-AU-PRINCE, July 1, 1935—1 p.m.

[Received 3:57 p.m.]

53. President Vincent confirmed that so far there has been no relaxation in the French official attitude toward Haitian commercial accord. Haitian Minister was instructed last week to submit request for a year's extension of old *avenant* with addition of one or two more concessions to France. This would allow sufficient period for negotiations for new treaty. President states Haitian Minister at Paris has just reported that he is hopeful of a favorable reply and that 1910 loan question can be treated separately but did not give basis upon which he founds his hopes.

CHAPIN

638.5131/70 : Telegram

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

PORT-AU-PRINCE, July 5, 1935—1 p.m.

[Received 4 p.m.]

54. My telegram No. 53, July 1, 1 p. m. President states that according to advices just received from Haitian Minister at Paris, French Foreign Office has unofficially suggested that old treaty and *avenant* might be extended for a year from its expiration on following bases: unofficial agreement that gold service of 1910 loan will form subject of separate discussion between two Governments concerned; Haitian coffee exporters to give gentlemen's agreement to give at least 50 per cent of ocean freight to French steamship companies, and to purchase from France at least 50 per cent of coffee sacks used for coffee exports to France. Although telegram was received several days ago it was badly garbled and had to be referred to Paris for check.

Haitian Government is inclined to accept these bases giving necessary understanding in second suggestion unofficially through proposed syndicate of coffee exporters rather than through the Government. Although suggestions did not come through French Minister here it is apparent that rumors concerning it have leaked out to local merchants.

CHAPIN

638.5131/72 : Telegram

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

PORT-AU-PRINCE, July 6, 1935—1 p.m.

[Received 3:35 p.m.]

57. Referring to the Legation's No. 54, July 5, 1 p. m. De la Rue advises Franco-Haitian trade agreement has now been renewed for a

period of 1 year (presumably from May 26, 1935, although actual date not yet divulged) under following conditions:

(1) That Haitian Government will buy 30 per cent of its public supplies from France provided French bids are equal to those of other countries;

(2) That Haitian coffee exporters give gentleman's agreement to ship 50 percent of the total coffee exports in French bottoms, and

(3) That all sacks used for coffee exports to France will be purchased from France.

The Haitian Government has agreed to discuss separately gold service of the 1910 loan but not to submit this question to arbitration.

CHAPIN

638.5181/72 : Telegram

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

WASHINGTON, July 10, 1935—2 p.m.

28. Your 54, July 5, 1 p. m., and 57, July 6, 1 p. m. While the conditions mentioned may have offered the only satisfactory bases for the extension of the treaty and the *avenant* for 1 year, you may point out orally and informally that this Government has on at least two occasions exercised its good offices with American steamship companies to prevent an increase in freight rates from Haitian ports. The agreement to give at least 50 per cent of coffee exports to the French steamship companies may take away freight from American companies which have cooperated in maintaining a lower rate and at the same time may bring about an increase in freight rates which the American and other companies would most likely follow. Furthermore, giving the French 50 per cent of the coffee exports as well as all of the sacks used for coffee exports to France may well take the profit out of Haitian coffee exports in the event of an increase in freight rates and the price of coffee sacks.

You may also say that it is to be hoped that the Haitian Government will not be forced to make any commitment on gold service on the 1910 loan in view of the stand taken over the last 10 years and more.

HULL

638.5131/77 : Telegram

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

PORT-AU-PRINCE, July 11, 1935—noon.

[Received 2:55 p.m.]

60. Department's telegram 28, July 10, 2 p.m. This morning I delivered orally and informally substance of Department's telegram to Minister for Foreign Affairs.

He informed me that in making both informal agreements to give 50% of the freight to French companies and to purchase all sacks used for coffee exports to France, the Haitian Legation in Paris had been instructed to insist that these conditions were contingent on the freight rates and coffee sack prices being competitive. I told him that I had an inquiry this morning from the Panama line as to whether it would be possible for them to continue as before carrying coffee to New York for France but with the modification that they could make agreement with French transatlantic steamship companies to take it from there on. He replied that off hand he did not see any objection to this and at my suggestion this question is to be put up to him in a personal note to which he agreed to reply.

With respect to gold service of 1910 loan, the Minister again assured me that Haiti neither had given nor would give any commitments.

CHAPIN

638.5131/82 : Telegram

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

PORT-AU-PRINCE, July 18, 1935—2 p.m.

[Received 6 p.m.]

61. The Minister for Foreign Affairs sent for me this morning to request me to transmit to the Secretary of State the sincere thanks of President Vincent and the Haitian Government for his efforts assisting in securing a renewal of the Franco-Haitian Trade Agreement.⁴³ In transmitting these thanks the Minister stated that the Haitian Government very much hoped that the American Government would not limit itself to this assistance which had been given but would be prepared to extend its further good offices for Haiti in the future.

The Minister explained this request by saying that the renewed agreement with France was not assured as he had understood at first and as he had informed me, definitely for a full year but that the faculty of denouncing the treaty on 1 month's notice could be availed of by either party at any time. He said that they had received information from the Haitian Legation in Paris to the effect that the French officials were exceedingly angry at Haiti because of the active good offices exercised by the United States and that he was afraid that the French would seize upon any suitable excuse to denounce the Treaty. More specifically he voiced the fear that the French Government, which was apparently insistent upon the gold service of the 1910 loan, would, anticipating an unfavorable report from Haiti, at the end of the agreed 3 months from the signature of the extension,

⁴³ Effected by an exchange of notes, July 5; France, *Journal Officiel: Lois et Décrets*, July 8-9, 1935, p. 7326.

denounce the Treaty early in the fall. He stated quite frankly that the Haitian Government's primary interest was in assuring a market for its 1935 coffee crop and that if by one means or another the effect of the agreement could be prolonged up until January they would be quite satisfied. He reiterated Haiti's intention to stand firm on the 1910 loan question but said that he hoped that the United States would not only be prepared to give its good offices but might, in case of necessity, even intervene on Haiti's behalf before the French Government.

I told him that, as my personal opinion, while I could appreciate the fears of the Haitian Government, it did not seem to me that the probabilities were as grave as he seemed to anticipate, but that I would, in accordance with his request, cable them to the Department.

Prior to my departure, the Minister raised—apparently under instructions from the President—the question of the Treaty between the United States and Haiti, which was to complement the bank sale contract. He said that he supposed it depended in part upon whether the Senate was in session, and I told him that my information was that the Senate would adjourn in a very few days.

CHAPIN

ATTITUDE OF THE UNITED STATES TOWARDS THE PROPOSED DEBACHY LOAN CONTRACT

838.51/2962 : Telegram

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

PORT-AU-PRINCE, August 21, 1935—1 p.m.

[Received 3 : 25 p.m.]

66. I learn authoritatively that the President expects to call a special session of the legislature for August 26th when a "Contract" is to be discussed. I can get no further information but I was told yesterday on good authority that there is a possibility that it may be in connection with a rumored new foreign loan allegedly from French sources, which it is rumored will not only pay off the 1922 loan ⁴⁴ but also the 1910 loan ⁴⁵ in gold. Presumably this would mean sale or rental of the Bank National to the new financing group. My informant stated that negotiations were reported almost concluded and had been so secret that few, if any, of the Cabinet members were aware of the measure. This information was given me on the distinct understanding that I report it only to the Department.

CHAPIN

⁴⁴ This loan was with the National City Bank of New York; for correspondence, see *Foreign Relations*, 1922, vol. II, pp. 472 ff.

⁴⁵ For text of loan contract, see *Le Moniteur*, October 26, 1910, p. 606.

838.51/2963 : Telegram

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

PORT-AU-PRINCE, August 23, 1935—9 a.m.

[Received 11:20 a.m.]

67. According to a communiqué seemingly official in last night's newspapers which were not distributed until this morning, preliminary details on proposed contract are as follows.

1. The foreign contractor proposes to finance a public works program in 5 years at a cost of 500,000,000 francs using Haitian engineers and 100 per cent Haitian labor.

2. First installment will be 235,000,000 francs and succeeding ones will be 66,250,000 francs each.

3. The whole is to bear 6 per cent per annum payable semiannually and to be amortized in 40 years, yield of capital is stated to be 93% to Haitian Government and in general newspaper articles state plan has several advantages over 1922 loan.

4. Security for loan is not mentioned and it seems apparent that entrepreneur does not yet have actual capital in hand to pay over first installment.

Neither de la Rue ⁴⁶ nor myself were given any advance indication of this proposed contract which was very secretly guarded.

I have requested an interview with the Minister for Foreign Affairs ⁴⁷ and hope to secure confirmation and other news to report later.

CHAPIN

838.51/2964 : Telegram

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

PORT-AU-PRINCE, August 23, 1935—2 p.m.

[Received 4:40 p.m.⁴⁸]

68. My 67, August 23, 9 a. m. It is now confirmed that the Legislature is to meet August 26. When I saw the Minister for Foreign Affairs this morning I asked him if I could consider this morning's communiqué official and he said it was not but that its broad lines including the figures were correct. He states that the Haitian Government realized that until the 1922 loan was retired it could not go ahead with any financial operation and that it was proposed to do so with this loan and that the Haitian Government hoped for the active and sympathetic concurrence of the American Government in respect to this proposal; that he expected early next week to give me the full details of the plan.

⁴⁶ Sidney de la Rue, Fiscal Representative of the Haitian Government.

⁴⁷ Yrech Chatelain.

⁴⁸ Telegram in two sections.

The Foreign Minister indicated that in the circumstances Haiti was not momentarily interested in renewing the negotiations of the Haitian-American treaty. While he stated that he was not yet authorized to give me all the details, I asked him if he could give me certain information which I believed would particularly interest my Government. One, whether there had been any change in connection with this proposed loan with respect to Haitian policy as regards further payments of the 1910 loan. He assured me that there had been and would be no change in this regard. Two, if the group was, as I supposed, foreign what security was to be given them and specifically whether any form of financial control was to be tendered given this foreign group.

He replied that although the Entrepreneur Debachy was French, Debachy himself proposed to have the capital subscribed internationally. He assured me that while the new loan would form a first charge of the customs and other revenue when the 1922 loan had been retired, no foreign officials were to be introduced, and that if it were a question of foreign control they would prefer that it be American. I pointed out to him that it had been repeatedly stated by French officials that no further loan was possible in France until the 1910 loan had been disposed of.

He concluded the interview by reaffirming the President's personal gratitude to President Roosevelt and his earnest hope for active American concurrence in this new financial operation.

. . . I learned further that he [Debachy] has not been to call at the French Legation. He was accompanied to Haiti by the Counsellor of the Haitian Legation in Paris and by the Engineer in Chief of the Haitian public works.

No money appears to have been put up by the intermediary and the whole scheme appears to be merely to obtain authorization for a contract to allow Debachy to seek out his capital.

CHAPIN

888.51/2964 : Telegram

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

WASHINGTON, August 24, 1935—1 p.m.

31. Your 68, August 23, 2 p.m. Please call on President Vincent and say that your Government has been surprised, in view of the cooperation which has existed between our two Governments in Haitian financial matters, to learn that the Haitian Government has apparently made certain arrangements regarding new foreign financing on a large scale without any prior discussion whatsoever with the Fiscal Representative or with this Government. You may say that the Foreign Minister has expressed to you the hope of the Haitian Govern-

ment for the active and sympathetic concurrence of the American Government in respect to the proposal, but that obviously it is impossible for this Government to form any opinion when it has been kept so completely in the dark regarding the matter. You should make it clear that this Government is not expressing any objection on the merits of the proposal, whatever they may be, but that it has experienced considerable surprise at the fact that the Haitian Government, in view of our every effort to cooperate in connection with Haiti's finances, should have seen fit to keep us so entirely uninformed of these negotiations.

HULL

838.51/2967 : Telegram

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

PORT-AU-PRINCE, August 26, 1935—1 p.m.

[Received 4:25 p.m.⁴⁹]

70. My telegram No. 69, August 25, 5 p.m.⁵⁰ I called on the President by appointment this morning at 10 o'clock and delivered to him the substance of the Department's telegram No. 31, August 24, 1 p.m., leaving with him an *aide-mémoire*.

The President was vague in his replies and merely reiterated the principal arguments of the Minister for Foreign Affairs reported in my telegram 68, August 23, 2 p.m. He said that he was extremely sorry that he had not been able to inform the American Government or Mr. de la Rue in advance but that as the affair was so nebulous until Debachy's arrival here 8 days ago he had not felt justified in doing so and that in any case he had felt delicate about speaking of the matter to de la Rue since it would probably mean the loss of his position. He did, however, pay a great tribute to de la Rue in saying that he realized that the bank sale and the general soundness of Haitian credit and financial position was largely due to his effort.

I specifically raised to him the question of the 1910 loan and that of the employment of foreigners in customs or other financial control in Haiti and he reiterated the Minister's assurances on these points.

I developed at some length the fact that the American Government was not passing on the merits of the proposal at the time and told him that he must realize the great interest of the United States in the well-being of Haiti. I expressed the personal opinion that the chief danger in this proposition lay in the fact that possibly the entrepreneur might have exaggerated ideas of his ability to raise the necessary funds for the loan and that when it came actually to getting the money in hand he might find some difficulty if no further security

⁴⁹ Telegram in two sections.

⁵⁰ Not printed.

were offered by the Haitian Government than that which the President mentioned. The President stated that he had definite engagements in writing from the entrepreneur that the money would be forthcoming and was "his affair not ours" and added with some heat that he never would have entered into the contract if it had not been sound in every particular. The President expressed regret that his efforts to secure money for a refunding loan of liberation and for immediate public works had not met with success in the United States. He referred to the really deep economic misery of his people and stated that if he were not so personally popular disturbances might have taken place recently in the north. I may add that although I endeavored to commit him on the point several times I could not secure from him a statement as to whether the capital for the proposed loan had been subscribed nor from what group of bankers. The President explained that the whole proposition was entirely unofficial and that the French Legation was entirely unaware of the proposals that have been made.

The President then turned the conversation to other needs of Haiti and developed for 10 minutes the possibility of establishing two large tourist hotels in Haiti.

The President's special message is to be delivered this morning at 11:30.

CHAPIN

838.51/2971 : Telegram

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

PORT-AU-PRINCE, August 28, 1935—10 a.m.

[Received 1 p.m.]

71. My 70, August 26, 1 p.m. Copies of the contract as presented to the Haitian Legislature will be forwarded to the Department together with an English translation by air mail pouch tomorrow.

The text including figures is in general accord with information already sent to the Department. Refunding of the 1922 loan is nowhere mentioned although this operation is officially understood to be envisaged from the first installment. Security for the loan is based on a first lien on the customs revenue after the normal budget and to a certain extent upon all budgetary receipts. In case of default the contractor may exploit as a concession such producing projects as are completed under the contract. Disputes as to the interpretation of the contract will be settled as a last resort by the International Chamber of Commerce in Paris.

It is understood that quick action is expected and the contract will be sanctioned by the end of the week. Financial backers are not known

and latest report is that some German capital, presumably Jewish, is involved. Payment of first installment must be made 3 months from date of notification of approval of contract.

CHAPIN

838.51/2977

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

No. 741

PORT-AU-PRINCE, August 28, 1935.

[Received August 31.]

SIR: I have the honor to refer to my despatch No. 738 of August 26, 1935,⁵¹ and to my telegram No. 71, of August 28, 12 noon [10 a.m.], regarding the proposed international loan for refunding of the Haitian debt and for public works.

There is enclosed a copy of the proposed contract⁵¹ as it was presented to the Haitian Legislature in connection with the law of sanction. The copy was made from one of the original mimeographed copies belonging to a Deputy and lent to the Legation for a few hours through the Fiscal Representative's office. There is also enclosed a translation, in English, of the contract. In view of the urgency that the copy and translation be furnished to the Department by the next air mail, this work was rushed at the Legation, and unavoidably the translation has been somewhat roughly made.

The Department's attention is invited to Article 5 which provides that the entrepreneur will be entitled to 25 percent upon all disbursements for material, equipment, and labor. Likewise, it is believed the Department will be interested in Article 7, which describes the manner of payment for work done and which provides for a large initial payment to the entrepreneur from the first installment. In this connection, it may be remarked that according to several rumors which have reached this office, order No. 1, of 17 per cent of 235,000,000 francs, which represents, roughly, two and one-half million dollars, may be destined to a settlement of the 1910 loan, which presumably would be done not officially by the Haitian Government, but indirectly by the entrepreneur.

Article 10 provides for amortization. The tables which have been drawn up for each installment have not been copied, and are not found among the enclosures. The total payments, however, are approximately represented in the table submitted in my despatch above mentioned.

Article 12 specifies the security given from the customs tariff, and the Department will note that it is fairly loosely written, and does

⁵¹ Not printed.

not appear to bind the Haitian Government to accept any foreign financial control. In this connection, it may be remarked that nowhere is there mention of the reported fact that the loan is to be floated at 93, and it would seem likely that there must be a further supplementary financial contract.

Article 14 pledges the entrepreneur to make known to the Haitian Government the nature of his financial backing at the time of the first payment. This payment, it is stipulated elsewhere, must be made three months from the date of notification to the entrepreneur of the ratification of the contract.

According to Article 15, it will be noted that the Government is obligated to continue with the whole contract under penalty of paying 5 per cent on the total value of the works left unexecuted.

Article 17 provides, in case of dispute, that the difficulties will be settled by arbitration by the International Chamber of Commerce at Paris as a court of last resort.

In Article 20 will be found the only reference to a bond issue (*emission*), and it stipulates that the Government must be consulted in connection with such an issue.

As reported in my telegram, the refunding of the 1922 loan is nowhere mentioned in the contract. The President, however, at the time of my interview with him, told me that such would be the case, and stated that the members of the Legislature were, however, being informed that such an operation was contemplated from the first installment.

It has been impossible to secure any information as to the financial backing of this proposed loan, and in fact I strongly suspect that the Haitian Government itself is ignorant on this point. There is, however, apparently a real feeling in responsible Haitian circles that the money will be forthcoming. The latest report is to the effect that the loan is, at least in part, to be subscribed by German-Jewish capital under the aegis of French financial circles. Possibly inquiry in Paris banking circles may reveal something on this point.

There is also enclosed, for the Department's information, a copy of the President's official message to Congress on August 26, as well as a copy of the explanatory remarks made to Congress on the proposed contract by the Minister for Public Works, on the same day.⁵² The texts of these speeches are those printed in the *Nouvelliste*.

Respectfully yours,

SELDEN CHAPIN

⁵² Neither reprinted.

838.51/2974 : Telegram

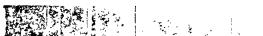
The Chargé in Haiti (Chapin) to the Secretary of State

PORT-AU-PRINCE, August 29, 1935—1 p.m.

[Received 3 p.m.]

73. My telegram number 68, August 23, 2 p. m. I received this morning a long note from Minister for Foreign Affairs referring to my interview with him last Friday and purporting to explain the Haitian position on the loan. He side-steps the point of the American Government's surprise raised in my interview with the President and develops at some length Haiti's legitimate desire to free herself from foreign financial control stating it has applied itself to the task "knowing in this special case it could do without American assistance and that it acted with the presumed knowledge of the Department of State". The note then states desire of Haitian Government "in certain affairs for the mediation, good offices, cooperation and even should occasion require, the benevolent support" of the United States.

Copies will be forwarded in Saturday's air mail.⁵³



CHAPIN

838.51/2979 : Telegram

The Minister in Haiti (Gordon) to the Secretary of State

PORT-AU-PRINCE, September 3, 1935—3 p.m.

[Received 7:35 p.m.]

77. This morning's *Moniteur* published the promulgation of the law of sanction of the Debachy loan contract under date of August 30.

Yesterday afternoon through Chapin and the Legation files and last night in conference with Chapin and De la Rue I was apprised of the developments which have taken place with respect to this contract, not only since I was in the Department but also since I telephoned to Edward Wilson⁵⁴ on August 26.

Accordingly, when I called upon the Foreign Minister this morning to request an appointment for the presentation of my letters of credence (which appointment has been fixed for Friday next) I felt that in view of these developments and of the Department's instruction No. 31, August 24, 1 p. m. I should lose no time in making certain observations to the Minister. The following is the rough summary of the views I have just expressed to him: I felt sure that the Minister would appreciate not only that I was surprised, but also perplexed at what I had learned since my arrival yesterday afternoon had taken place with respect to the loan contract in the very short time since

⁵³ Not printed.

⁵⁴ Presumably Edwin C. Wilson, Chief of the Division of Latin American Affairs.

I had left Washington. At that time my Government had no reason to believe that a far reaching contract involving a fundamental change in the entire governmental financial status of the country was about to be entered into; naturally therefore when I learned upon my arrival yesterday of all that had taken place, of the rapidity with which this important question had been consummated and of the fact that neither the Legation nor the Fiscal Representative had been consulted or even advised of the steps contemplated I could not but—the Minister would understand—be but greatly surprised as well as, I had to confess, considerably concerned.

I had barely had time to read the contract and necessarily was not attempting to discuss it upon its merits. However even the summary reading which I had of it had served immediately to raise several points in my mind that which I thought I should indicate to the Minister as follows:

Firstly, while the contract does not provide for the immission of foreigners in customs or other financial control in Haiti and while I understand that both he and the President had assured the Legation that no such foreign control was desired or contemplated, nevertheless it would appear that the operation of the provision of the contract might open up disturbing possibilities in this connection.

Secondly, there are no precise provisions as to refunding the 1922 loan and although I understood that both the Minister and the President had assured the Legation that the contract necessarily contemplates such a refunding—which of course it necessarily must—the Minister would appreciate that definite and specific provisions as to the exact manner of refunding would be of the greatest interest to my Government. As these provisions are not contained in the contract I assumed they would necessarily form the subject matter of complementary exchange of letters between the Haitian Government and Debachy on this point—my assumption necessarily being fortified by the Minister's statements to the Legation as reported in paragraph 1 of the Legation's telegram No. 68, August 23, 2 p. m.

Thirdly, there is a provision for an eventual bond emission which would seem to offer disquieting perspectives.

Aside from the foregoing points which I have thus summarily indicated my first reading of the contract would indicate to me that it would necessarily require a number of interpretive accompanying letters in order to clarify and make more specific many of its terms. The Minister had expressed his intention of furnishing the Legation with further detailed information concerning the transaction; on my part I would at once proceed to study the contract more carefully and I then hoped at the earliest possible moment to have further full discussion with the Minister and with the President in the course of which they could furnish me with such full and complete information as would enable me really to understand this contract with its true

bearings and implications so that I might transmit that understanding to my Government.

The Minister stated that he would be glad to have the early full discussion above referred to, and that as soon as I had presented my letters to the President he would make an appointment with him for such a discussion. As to regions [*refunds?*], he said that both he and the President had made it very clear that they completely realized the necessity of such an operation; upon my again pointing out that very precise provisions as to the manner in which the operations could be carried out were essential he stated that he was even now in consultation with the Fiscal Representative as to how this might best be done. Concluded by saying that he felt confident that he and/or the President could give me such details concerning the transaction as would reassure us that it would in no way operate to the detriment of the interests of the American Government or of American bondholders.

In reply to my question the Minister stated that the official notification of the promulgation of the contract had been given to Debachy as of August 31 so that the 3 months time limit for the first payment set forth in article 1 of the contract had begun to run as of that date. I trust that my action as above set forth was entirely within the spirit of the Department's instruction above referred to, and meets with the Department's approval. I should of course greatly appreciate such further instructions as the Department may wish to send me before Friday morning.

In conclusion, may I inquire if the Department has received any answer from the telegraphic instructions which I understand it sent to our Embassy at Paris,⁵⁵ concerning Mayard's⁵⁶ two transactions with the Quai d'Orsay.

GORDON

838.51/2979 suppl. : Telegram

The Secretary of State to the Minister in Haiti (Gordon)

WASHINGTON, September 5, 1935—4 p. m.

38. Your 77, September 3, 3 p. m. Department entirely approves your statements to the Foreign Minister. The Haitian Minister⁵⁷ called at the Department on September 3, and similar views were expressed to him. He suggested that the American Government had assumed commitments under the August 7, 1933 agreement^{57a} to assist

⁵⁵ No. 349, August 28; not printed.

⁵⁶ Constantin Mayard, Haitian Minister in France.

⁵⁷ Albert Blanchet, Haitian Minister in the United States.

^{57a} *Foreign Relations*, 1933, vol. v, p. 755.

in working out a plan for the anticipated redemption of the 1922 loan. His attention was invited to the provisions of Article 26 of the agreement and to the proviso therein contained that the Haitian Government must make an arrangement for redemption satisfactory to the holders of the outstanding bonds. It was suggested to him that the Haitian Government would doubtless desire to study this question at once with its fiscal agents and legal advisers in order to draw up a definite plan of redemption satisfactory to the bondholders, and that the Department would be prepared to consider such a plan immediately when presented to it.

When you call on the Minister for Foreign Affairs on Friday, the Department desires you to insist upon the point that while both the Minister and President have assured the Legation, and Blanchet has assured the Department, that the new loan contract contemplates redemption of the 1922 loan, the text of the contract is silent on this point; in view of the specific obligations undertaken both by the Government of Haiti and by the Government of the United States in existing treaties and agreements relating to the finances of Haiti and to guarantees for the 1922 loan, the Government of the United States is extremely desirous of obtaining from the Haitian Government at an early date definite and specific statements as to the intention of the Haitian Government to set aside out of the first funds available from the new loan sums sufficient to redeem in satisfactory manner the outstanding bonds of the 1922 loan, and definite and specific proposals as to the exact manner in which the Haitian Government proposes to carry out said redemption.

You should state to the Minister that were it not for the assurances already given that it is the intention of the Haitian Government to devote the proceeds from the first installment paid on this loan to the redemption of the 1922 loan, the American Government would obviously have to consider invoking the provisions of existing agreements; for instance, the new loan contract purports to give a first lien on customs revenues as security for the loan, whereas the customs revenues are, of course, already pledged under the 1922 loan contract, the 1915 Treaty ⁵⁸ and the 1919 Protocol ⁵⁹ for the service of the 1922 loan, subject only to the prior charge of payment of salaries, allowances and expenses of the Fiscal Representative and his assistants.

You should, furthermore, point out to the Minister that this Government is of the opinion, from the cursory examination it has so far been able to make of the new loan contract, having just received the text thereof, that this contract may prove to be onerous and disadvantageous to Haiti in various particulars, and that the annual

⁵⁸ Signed September 16, 1915, *Foreign Relations*, 1915, p. 449.

⁵⁹ Signed October 3, 1919, *ibid.*, 1919, vol. II, p. 347.

burden for service of this loan, which increases 100 per cent within a period of 5 years to a figure approximately 35 per cent of Haiti's present revenues, may well prove to be beyond the possibilities of Haiti's finances; and that if it were not for this Government's understanding that the Government of Haiti has sought this new loan for the primary purpose, through the redemption of the 1922 loan, of putting an end to the cooperation and assistance of the Government of the United States in connection with Haiti's finances, the Government of the United States would feel obliged, in view of its obligation under the 1915 Treaty to aid Haiti in establishing her finances on a firm and solid basis, to raise serious objection to various provisions of the new loan contract. In this connection, you may advert to the fact that under Article 17 of the 1933 Agreement Haiti was, of course, committed not to assume such a financial obligation as is involved in the new loan without prior accord of the Fiscal Representative.

The Department also desires you to point out to the Minister that the new loan contract, while apparently providing for the opening of a credit of the total amount involved in the loan, and for a first installment of 235,000,000 francs to be supplied within 3 months, appears to make no provision for deposit of the sums in question in any banking institution to the order and under the control of the Haitian Government; in this connection you may call attention to the possibility that if the entrepreneur should deposit these funds in a bank in France, action may well be taken there by the bondholders of the 1910 bonds to attach such funds.

In considering this matter, we have in mind that the chances are overwhelming that this project will collapse of its own defects and come to nothing except probably a series of claims in the future against the Haitian Government, and that therefore in discussing it with the Haitian Government we should do so in the friendliest manner, seeking to avoid so far as possible causing any resentment or ill-feeling on their part which might lead them in the future to charge that it was due to our opposition that the project for the "liberation" of Haiti had failed. I shall receive the Haitian Minister tomorrow at his request to discuss this whole matter. I shall refer to the points set out earlier in this telegram and at the same time shall state something to the effect that this Government, in view of Haiti's known desire to free itself of American assistance in connection with Haiti's finances, and to pay off the 1922 loan, very much hopes that any effort at new financing made by Haiti will be on a thoroughly sound basis, and that I, of course, assume that the Haitian Government has investigated thoroughly the standing and responsibility of the financial interests back of this proposed new loan, as it would be a matter of great regret to all friends of Haiti if that country should be doing something

now which might result in future prejudice to Haiti's present fine credit standing internationally.

Reference last paragraph your telegram under reference. Copy of reply from Embassy at Paris ⁶⁰ forwarded by airmail September 4. The Department has cabled Embassy at Paris ⁶⁰ to make inquiry regarding Debachy and his financial backers and will advise you on receipt of information.

HULL

838.51/2985 : Telegram

The Minister in Haiti (Gordon) to the Secretary of State

PORT-AU-PRINCE, September 7, 1935—2 p.m.

[Received September 8—12:33 a.m.⁶¹]

80. Department's telegram No. 38, September 5, 4 p.m. I have just had an hour's conference with the President during which I set forth the views contained in your instruction and discussed them in detail.

First, as regards the redemption of the 1922 loan, the President repeated his assurances that he had always recognized his obligation to redeem this loan in order to liberate the security thereof so that it might be applied to the new loan; as an evidence of his recognition of this obligation he referred to article 2 of the law of sanction.

I observed that this was only a general authorization and that in view of the complete silence of the contract on the point we desired the definite and specific statements and proposals set forth in the Department's instruction. In reply the President assured me categorically that the Government intends to set aside out of the first funds available from the new loan sums sufficient to redeem in satisfactory manner the outstanding bonds of the 1922 loan and in reply to my further request he promised that he would confirm this assurance in writing next week.

As to definite and specific proposals concerning the exact manner in which the Haitian Government proposes to carry out this redemption the President stated that as I was aware (see section 3 of my No. 77, September 3, 3 p.m.) he was awaiting recommendations from de la Rue, that he was formally entrusting him with the preparation of these proposals and that as soon as de la Rue should be able to prepare and present them the President would immediately undertake their studying; as soon as the final form of these proposals had been determined upon they would be transmitted to us in writing in definite and specific form. I have had several conferences with de la Rue concerning the preparation of these proposals upon which

⁶⁰ Not printed.

⁶¹ Telegram in three sections.

he is now actively working; they will probably be ready for presentation to the Haitian Government early next week.

Second, as to the view that the loan may prove to be onerous and disadvantageous to Haiti I pointed out to the President some of the considerations fortifying this view which occurred to me as a result of my conferences with de la Rue and Chapin, and especially the apparently excessive fee to be given the entrepreneur. Unfortunately but rather naturally the President was not very responsive on this point and instead sought to emphasize not only the hopes he had as to the increased productivity of the country which would result from the operation of this loan but also the necessity he felt of securing such a loan in order to provide immediate employment on public works for the large number of unemployed. Parenthetically and without getting involved in any side issue I pointed out that all the information I had received prior to coming here was to the effect that there was no real unemployment whatsoever in Haiti.

I also asked the President if it was true—as I had heard—that the first project to be undertaken would be the construction of a road to Kenscoff; he seemed slightly taken aback by this but eventually said that this was so and that he felt that this was entirely justified in that it would be most useful in stimulating the tourist trade which latter was a definite and important aim which he intended unremittingly to pursue.

Third, with respect to the deposit of the sums to be received under the loan the President stated that by a letter supplementary to the contract it was stipulated that the funds in question would be deposited in a New York bank and in response to my request he promised to send me a copy of this letter next week. I took this occasion to point out that even a summary study of the contract indicated clearly that it necessarily required a number of interpretative accompanying letters and the President said that this was so. I then stated that the sooner we were furnished copies of all interpretative and explanatory documents in connection with this contract so that we would have a really clear picture of the whole transaction the more desirable it would be all around. The President assented and said that he intended to furnish us the complementary documents.

The deposit of the sums to be received by the Haitian Government opened up the whole question of the 1910 loan. Unfortunately the communication from the Paris Embassy referred to in last paragraph of the Department's instruction under reference apparently missed September 4 airmail and will therefore not reach here until tomorrow afternoon. However, preserving the fiction that de la Rue had told the Legation nothing of what he had learned from the President in the premises, I said that advices just received from our Embassy in Paris had given me considerable concern as to just what Mayard

might or might not have done in Paris and that I felt it essential that we should have a precise statement as to his activities and of just how the matter stood at the earliest possible moment. I then called the President's attention to the following paragraph in yesterday's *Matin*:

"It is towards October 15 that in conformity with arrangements arrived at between the French and Haitian Governments as a result of their recent commercial differences that there will be begun in Paris negotiations relative to the question of the 1910 loan or more exactly the question of the gold franc."

The President dismissed this as irresponsible newspaper gossip and said that he would be glad to have me furnished with fuller details concerning the transactions between Mayard and the Quai d'Orsay; he could state now that all that had been agreed to was that in October the Haitian Government would present to the French bondholders a statement of its views. In further response to my categorical question the President said that I could assure you that the Haitian Government had no intention of abandoning the position it had heretofore taken in this respect and that in the coming negotiations it would not depart from the principle that the bonds are not payable in gold.

Fourth, I thought it well also to express to the President the hope and the assumption as to a thorough investigation by the Haitian Government of the standing and responsibilities of the financial interest back of this proposed new loan set forth in the penultimate paragraph of your instruction under reference. To this, specifically, the President was unresponsive but as this came just before the end of my exposition of your views he may in his mind have included it in his initial reply (before we entered into detailed discussion) that after studying another *aide-mémoire* which I would leave with him he would answer it point by point and felt confident that he could give my Government satisfactory assurances on every point.

Fifth, I have noted and will bear in mind the general instruction as to the manner of conducting discussions of this general question.

GORDON

838.51/2993

*The Haitian Department of Foreign Relations to the American Legation in Haiti*⁶²

[Translation]

NOTE

The purpose of this note is to reply to the note presented to His Excellency the President of the Republic last Saturday, the 7th instant, by the Minister Plenipotentiary of the United States of America.

⁶² Copy transmitted to the Department by the Minister in Haiti in his despatch No. 6, September 10; received September 12.

The points raised in this latter document can be brought under the four following, some of which have already been considered and treated in the letter addressed to the American Legation by the Department of Foreign Relations on the 28th day of August, last :

1. Effect of the new loan contracted by the Republic of Haiti on the guarantee which is assigned to the service of the 1922 loan.
2. Mode and period of amortization of the bonds of the 1922 loan.
3. Onerous character of the new loan which, being disadvantageous in many respects, appears to constitute, fundamentally, too heavy a load,—in any case one beyond the strength of the Haitian state.
4. The new loan in the light of Article 17 of the Agreement of August 7, 1933.

Regarding the first point :

There would certainly be a violation of the Protocol of 1919, of the loan Contract of 1922 as well as of the Agreements of 1931⁶³ and 1933, if the Haitian receipts already pledged should have to serve, wholly or in part, to assuring the service of the new debt. That would allow a supposition of one of two things: the co-existence of the two loans or the cancelling, pure and simple, of the amount due on the second. In both cases the American Government, which is a party in interest, would have the right to intervene and to exercise any action suitable for the purpose of safeguarding its responsibility. But such is not the case. As was said and explained, in the letter from the Department of Foreign Relations to which reference has just been made, the loan of 500 million francs is, in the thought of the Haitian Government, a loan of liberation. It is that, primarily. What constitutes, in fact, the strength of the present Government and the point on which rest both the prestige and the great popularity of the President of the Republic, is the engagement which it has undertaken towards the nation, and which it has already carried out to the extent of three-fourths, with the frank and loyal cooperation of the American Government, to "free the country, without shock from the hold of the foreigner." After the purchase of the Banque Nationale de la République d'Haiti (the National Bank of the Republic of Haiti) which substitutes for the political control of Washington the control of the interested parties and which subjects the enjoyment, in full ownership, of this Bank by the Haitian State without reservation or exception, to the payment and to the retirement of the 1922 bonds, it was to be foreseen that the Haitian Government would aim at complete enfranchisement. Furthermore, it was authorized to do so by Article 26 of the Agreement of August 7, 1933, and by the assurances which were given to it that the 1922 loan was the sole

⁶³ Signed August 5, 1931, *Foreign Relations*, 1931, vol. II, p. 505.

obstacle to the integral recovery of its sovereign rights. It was, therefore, necessary to refund that loan. Such is the principal purpose of the new financial operation which the legislative chambers have just sanctioned. For reasons which it has not been considered opportune to make public, the contract is silent on this subject. But there exists among the parties a secret document whereby it is recognized that a part of the first installment of the loan will be exclusively assigned to the amortization of the 1922 bonds. That was necessary in the highest degree, because, in order to arrive at that point, all the revenues of the State had to be liberated.

Regarding the second point:

Under the terms of Article 26 of the Agreement of August 7, 1933, "The Haitian Government reserves the right to retire the bonds issued in accord with the Protocol of October 3, 1919, in advance of their due date; and the Government of the United States will not invoke the provisions of Article VI of the Protocol as an obstacle to such retirement before the expiration of the period of fifteen years fixed therein, provided that the Haitian Government is able to make an arrangement for this purpose satisfactory to the holders of the outstanding bonds.

"In this case the provisions of this accord shall automatically become null and void and of no effect upon the completion of the funding operation."

According to this text, the operation of redemption contemplated will not at all injure the rights of the holders. But the Haitian Government does not think, either, that it ought to be subject, under this head, to any prejudice, a satisfactory arrangement having been completed which cannot but have for its effect the conservation of the interests present in the matter. We have spoken on this point to the Fiscal Representative who has promised us a memorandum on a system of amortization which he believes is capable of fulfilling the purposes which we desire to achieve.

The funds necessary for this purpose will be deposited in a New York bank as property of the Haitian Government and under its direct control.

Concerning the third point:

Contrary to the fears expressed by the American Government, the contract is not (1) onerous, nor (2) disadvantageous for Haiti and (3) the annual charge for the service of the new loan is not at all beyond the possibilities of the finances of the country.

1.—The contract contemplates that the Entrepreneur be allowed a levy of 25 percent on all the disbursements on materials, matériel and labor in order to reimburse him for all the expenses assigned to

the execution of the works, to remunerate him for his general expenses, to cover the special expenses necessitated by the purely financial part of the operation and to assure him legitimate profits.

Would the contract be onerous because of that percentage of 25 percent? Not at all, for that percentage results from the conversion into a single percentage—adopted for the convenience of calculations and of regulations,—of a series of percentages proper:

- 1) Loss at time of issue, 7 percent.
- 2) Expenses inherent in the financial part, $1\frac{3}{4}$ percent (stamp tax, printing and placing of securities . . .⁶⁴ etc.).
- 3) Indemnities of the Entrepreneur, that is to say, 13.22735 percent of the values actually assigned to the works as was agreed upon and stipulated in formal terms in a letter from the Entrepreneur to the President of the Republic.

The foregoing shows exactly what the single percentage of 25 percent, granted only on the amounts intended for works, corresponds to.

2.—Among the numerous advantages of the contract, it is well to point out that which will result from the execution of definitive works and not works that are provisional and subject to continual and expensive repairs by the very reason of their character, the money necessary to fully accomplish them having always been lacking, in spite of the special credits opened each year by the Department of Public Works.

The expenses connected with these special credits for the last five fiscal years, a difficult period, if there ever was one, amounted to nearly one million eight hundred thousand dollars (\$1,800,000.00), that is, an average of \$350,000.00 a year—an obligation of which the treasury will henceforth be relieved. If we consider, moreover, that the performance of the Contract will permit of the reduction of the regular budget of the Department of Public Works by \$200,000, it will result in a reduction of \$550,000.00 for our finances (not taking into account large and certain economies which will be effected in several other budget allotments).

These considerations based on realities enable us to state that the annual charge for the service of the loan is not beyond the possibilities of the finances of Haiti. On the contrary: the present arrangement will permit of building up large reserves, estimated at more than three million dollars (\$3,000,000) for the payment of the fourth installment, which would perhaps permit the Haitian Government to exercise the privilege conferred on it by Article 20 of reducing the amount of the last installment.

However, circumstances impossible to foresee may upset the best

⁶⁴ Omission indicated in the original.

established calculations, under the new contract, as well as under the loan contract of 1922 now in force.

If a sudden and serious drop in receipts occurs, the Government has at present only two alternatives to escape from the quandary: either to levy new taxes on the taxpayers, who can endure no more, or else make drastic curtailments and therefore restrict still further a currency circulation already very small. It is in vain that the amortization of the loan of 1922 has in fact been advanced by ten years, because of the very mechanism of the contracts and of certain financial measures which it would take too long to analyze here. In any event, however small the receipts may be, the contractual annual payments provided in the amortization tables of Titles ⁶⁵ A, B, and C, must first sternly be deducted in full, then the amounts necessary to assure the proper maintenance of the services of the Fiscal Representative and the Haitian Guard. As to the other Government services, they must be satisfied with the remainder,—and if nothing remained, we can well see what the situation would be.

With the new contract, the Government, in case of a heavy decrease in the receipts, is not exposed to the danger of being reduced to the corresponding portion, as Article 12 provides that “the service of interest and amortization would be calculated on the basis of the customs receipts by priority and precedence over all other claims, with the exception of the expenses and charges of the normal national budget, such as: the pay of the army, constitutional indemnities and salaries of public officials and employees, et cetera, in accordance with a total amount equal to the present amounts allotted to the same budget items above indicated.”

The Government is convinced, however, that no such eventualities will occur; that the great works contemplated must bring about an improvement of living conditions in Haiti, place business on a higher level, both as to importation and exportation, and everywhere bring about an increase of the general receipts of the state which will permit it to establish its finances on solid and definitive bases.

Regarding the fourth point:

It had been agreed between the governments of the United States and Haiti that the purchase by the Haitian government of the “Banque de la République d’Haiti” (National Bank of the Republic of Haiti) would result in the abrogation of the Convention of 1915 and the acts resulting therefrom, with the exception of certain restrictions concerning the budget justified by the participation of the representatives of holders of bonds of the 1922 loan in the service of the control of the debt. That had been contemplated as the accomplishment of a mere formality, as the present situation implies a *de facto* abrogation;

⁶⁵ *Titres*; the translator indicates in a footnote that this word may be also translated “bonds”, which is evidently the meaning intended here.

from which it follows that the treaty of 1915 has fulfilled its purposes. In any event, the negotiation of the new loan by the Haitian Government would not constitute a direct or indirect violation of this act, nor of Article 17, of the Agreement of August 7, 1933. If we have been expressly forbidden to increase the expenses of the Republic, without the agreement of the Fiscal Representative, this was done merely in order to avoid obstructing the regular service of the debt, as the fiscal representative, in the last statement of our relations with the American Government, had this sole and exclusive mission. By the refunding of the 1922 bonds, the provisions of the agreement of August 7th become automatically null and void. There is therefore no longer a fiscal representative, no more debt control service, the control, in all the forms that have been given to it, having been established for the debt and for that alone, and only because the debt had been contracted under the auspices and with the guarantee of the American Government. It is self-evident therefore that, having been authorized to liberate ourselves and having the means to do so it is not our creditors that we would ask whether the moment is a favorable one. We owe no explanations as to the result of our actions, except to the American Government which has aided us since 1930, by a series of acts which it is unnecessary to recall, to resume the exercise of our sovereign rights. It is, moreover, with the support of the promises made to us by Mr. Roosevelt himself, President of the United States of America, of the declarations of Mr. Hull, Secretary of State, giving the assurance that the new policy of nonintervention which his country practices in America is absolute and permits of no exception, except when there are previous commitments, that we have availed ourselves of the privilege conferred upon us by Article 26 of the agreement of August 7th. Referring again to the terms of the letter of the Department of Foreign Relations already quoted, "we have not, in order to succeed, used any method nor accepted any conditions susceptible of injuring our good relations with the United States, relations which we hope to maintain always cordial and happy—and in particular, we have carefully avoided abuse of the privilege which we believe we have, and which we shall strive to conserve, of claiming, with regard to certain matters, the mediation, the good offices, and the cooperation of the American Government or even, if the occasion requires it, the sympathetic support, never asked in vain of the high moral authority which Mr. Roosevelt represents." We have not waived this right nor any other, and as a beginning, it is to Mr. S. de la Rue, agent of the American Government, that we have looked, to find, with respect to the refunding in advance of the 1922 bonds, what may be the best system, the one best adapted to reconcile the interests of the parties concerned.

PORT-AU-PRINCE, September 9, 1935.

838.51/2992 : Telegram

The Minister in Haiti (Gordon) to the Secretary of State

PORT-AU-PRINCE, September 11, 1935—1 p.m.

[Received 4:15 p.m.]

84. See last paragraph section first, my telegram No. 80, September 7, 2 p.m. After a final conference with de la Rue yesterday morning on the proposals concerning the method of refunding the 1922 loan which he prepared, he saw the Foreign Minister whom he reports to be entirely sympathetic and receptive to these proposals. This morning De la Rue further saw the Minister of Finance who offered no objections.

The Foreign Minister expressed the desire that de la Rue should forthwith proceed to the United States to work out the details of these proposals with the Department and the fiscal agent. De la Rue and I in our discussions had foreseen such a request and had naturally decided that it should emanate from the President; accordingly he has an appointment tomorrow with the President at which the Foreign Minister will probably also be present.

It now appears most probable that the President will prove to be of the same mind as the Foreign Minister and will renew the request. Accordingly, if the Department perceives no objection I think it would be well for de la Rue to get this matter under way as soon as possible and he is prepared to take the airplane either Friday or Saturday depending on available reservations.

GORDON

838.51/2995 : Telegram

The Minister in Haiti (Gordon) to the Secretary of State

PORT-AU-PRINCE, September 13, 1935—11 a.m.

[Received 2:40 p.m.]

85. My telegram No. 84, September 11, 1 p.m. De la Rue's interview with the President yesterday was entirely satisfactory; the former left by airplane this morning and will be at the Department on Monday. Memorandum ⁶⁶ embodying recommendations as to method of refunding being forwarded by air mail tomorrow.

GORDON

⁶⁶ Not printed.

838.51/2999 : Telegram

The Secretary of State to the Minister in Haiti (Gordon)

WASHINGTON, September 19, 1935—3 p.m.

48. Department has received following telegram from the Embassy at Paris:

“(Here quote No. 794, September 17, 6 p.m., from the Paris Embassy⁶⁷)”

Please call on President Vincent and say to him that your Government has reliable information to the effect that French contractors are taking interest in the new loan contract solely as a public works construction project, evidently believing that the entire amount of 500,000,000 francs will be devoted to public works and without apparent understanding of the necessity of prior refunding of the 1922 loan. This being the case, and in order to avoid any misunderstanding which later might prove extremely embarrassing, it appears essential that the Haitian Government advise the French Government at once of the fact that the 1922 loan, of which approximately \$11,000,000 are outstanding, will be refunded from the first proceeds of the new loan. Please ask President Vincent to take this action, saying at the same time that we, of course, assume that he will have no objection if we advise our Embassy in Paris of this fact in order that the Embassy may be in a position to answer intelligently inquiries made of it in this matter.

HULL

838.51/2999 Suppl. : Telegram

The Secretary of State to the Minister in Haiti (Gordon)

WASHINGTON, September 20, 1935—11 a.m.

49. Department's 48, September 19, 3 p.m. In your talk with the President you should also refer to the fact that we understand that the recent loan contract is now being given attention by the French Ministry of Foreign Affairs and that this is, of course, an added reason why the Haitian Government should advise the French Government immediately of the fact that the 1922 loan will be refunded out of the first proceeds of the new loan.

HULL

⁶⁷ Not printed.

838.51/3003 : Telegram

The Minister in Haiti (Gordon) to the Secretary of State

PORT-AU-PRINCE, September 21, 1935—9 a.m.

[Received 4:40 p.m.⁶⁸]

90. Department's 48, September 19, 3 p. m. and 49, September 20, 11 a.m. I went to Kenscoff yesterday and delivered to the President the message contained in those two telegrams.

I regret to say that the President without hesitation stated that he did not see how he could take step requested of him. His point of view may be summarized as follows:

The contract between the Haitian Government and Debachy is one with which the French Government has no concern; the Haitian Government was careful to see to it that such should be the case, and considers it an important question of policy that the French Government should not now or later be in a position to make representations to the Haitian Government concerning this contract. If under the present circumstances (that is to say, on the basis alone of the information conveyed by the Department's instructions) the Haitian Government should communicate with the French Government in the sense suggested, the latter the President thought could not only officially reply that it knew nothing of the matter but also and worse still would be put in a position eventually to make representations above referred to a possibility which he strongly wished to avoid. In this connection he states that his latest information was only that Debachy and Jeannot landed in France a few days ago and that he had not yet had any reports as to their activities.

The President said that as long as the requisite amount from the first proceeds of loan would be devoted to the refunding of the 1922 loan (which we knew was guaranteed not only by Debachy's letter to him—referred to in the communication enclosed in my despatch No. 6 of September 10⁶⁹—but also by article 2 of the law of sanction of the contract—see first section of my 80, September 7, 2 p.m.) he did not see how our Government could be caused embarrassment if French contractors should participate in backing Debachy under misapprehension as to the true meaning of the contract; he thought that it was only the Haitian Government that might be caused embarrassment by any such misapprehension.

I pointed out that if French contractors should participate in supplying funds for Debachy to make payments on his contract and should subsequently claim that these had in part been diverted to the benefit of American bondholders in a manner not justified by the

⁶⁸ Telegram in three sections.

⁶⁹ Not printed.

terms of the contract the embarrassment to ourselves would be obvious, and that the materialization of any such eventuality would be calculated to bring about just that intervention on the part of the French Government which he so wished to avoid. I then referred to that passage in the communication above referred to (enclosed in my despatch number 6) which stated that "for reasons which it was not judged opportune to make public the contract is silent on this subject" (i.e. the redemption of the 1922 loan), and asked him just what these reasons had been. He replied that the Haitian Government had no reason of its own for omitting this from the terms of the contract but that upon Debachy's request it had done so upon his agreeing by a separate letter to apply from the first proceeds of the new loan the amount necessary to refund the 1922 loan. I observed that I was glad to hear that the Haitian Government had no other [*intention?*] in the premises but that Debachy's request seemed singular and that the omitting as a result thereof of this cardinal point from the terms of the contract had already given rise to the potentially awkward situation which my Government was bringing to his attention. It seemed then that the sooner this equivocal situation could be dispelled—and the method suggested by my Government would appear to be the most direct way of doing so—the better all around.

The President, however, fell back on his original arguments and maintained that from the point of view of both procedure and of policy he could not take the step suggested.

After further discussion the following emerged: he was expecting in the near future to receive reports from Paris as to what Debachy was accomplishing towards lining up his financial backing; he agreed to keep me informed as to the nature of these reports. (I do not pretend to be entirely unskeptical as to how fully he will keep me informed in this respect); if these reports did not run counter to the information which the Department had received, that is to say, did not affirmatively make it appear that the misapprehension referred to had been cleared away, the President would then be prepared to inform Debachy that the American Government had received reports as to the existence of this misapprehension on the part of French contractors and to insist upon Debachy clearing up such erroneous impressions and furnishing the President with some evidence that he had done so.

Needless to say I was not well satisfied with this and I pointed out again that I felt that a commitment of this limited nature would by no means necessarily obviate the disagreeable eventualities which we had previously discussed. The President said, however, that he could not for the reasons already advanced see his way to taking the action requested by us.

In conclusion I stated that under the circumstances we should of course have to inform our Embassy in Paris of the exact situation

in order that it may make precise replies to all inquiries addressed to it in the premises. To this the President assented. If I may be permitted a suggestion it occurs to me that our Embassy by discreet statements in the proper quarters might largely clear up such misapprehensions as may exist and make the real basis of the new loan contract a matter of at least semi-official record without contravening our fundamental policy in the premises set forth in penultimate paragraph of Department's 38, September 5, 4 p. m. I should be glad to have Department's reaction to this suggestion.

I am lunching with the President at Kenscoff next Tuesday noon; unless the Department wishes to send me instructions embodying a further statement to be made immediately to the President (which should reach the Legation Monday afternoon) it might be well to let the matter rest at this end until the President returns to Port-au-Prince the end of next week by which time also he may have had some further report from Debachy or concerning his activities.

GORDON

838.51/3008

The Haitian Minister for Foreign Affairs (Chatelain) to the American Minister in Haiti (Gordon) ⁷⁰

[Translation]

PORT-AU-PRINCE, September 21, 1935.

MR. MINISTER: Following the conversation which we had yesterday at Kenscoff with Your Excellency, the President of the Republic instructed me to confirm in writing his declarations as follows:

1. That the Debachy contract is not an act between governments, but is a convention of an exclusively private nature between a private individual and the Haitian Government;

2. That the loan of five hundred million francs would be an impossible act, in fact as in law, if, prior to the operations which it envisages, it should not serve for the complete redemption of the 1922 debt. This is, moreover, foreseen and pledged in a formal manner by Article II of the Law of Sanction, whose tenor follows:

Article II: "The Government of the Republic of Haiti is authorized as a matter of urgency to take all steps which it may believe useful in order to assure, within the briefest delay possible, the putting into effect of the above mentioned contract setting free by such operations as may be appropriate, the state revenues which must guarantee the regular service of interest and amortization of the funds advanced by the entrepreneur and actually paid into the sequestered account provided for in Article 14 of the said contract."

⁷⁰ Transmitted to the Department by the Minister in Haiti in his despatch No. 17, September 23; received September 26.

Now, the Law of Sanction forms a part of the contract and thus becomes, like the contract itself, the law between the two parties. The French Government not being a party to the contract and not being in any way interested in the object thereof, any notice which might be given to it by the Haitian Government with respect to the use which we expect to make of the loan would be, to say the least, out of place, and would have no other consequence but to provoke indirectly in our domestic affairs an interference which we have never envisaged.

Under these conditions, the President of the Republic greatly regrets that he is not able to undertake the step which the American Legation has been good enough to suggest to him. He remains, moreover, convinced that given the good faith and the loyalty, which his Government has always brought to its relations with the United States of America, and of which he himself has never ceased to give unequivocal proof, the American Government will be good enough to discover in the declarations hereabove restated, as well as in the reiterated assurances of the Department of Foreign Affairs, notably those contained in the letter of August 28, and the note of September 9, addressed to the American Legation, the exact expression of the truth with respect to everything concerning the project for the redemption of the 1922 loan.

I take pleasure [etc.]

YRECH CHATELAIN

838.51/3016 : Telegram

The Minister in Haiti (Gordon) to the Secretary of State

PORT-AU-PRINCE, October 3, 1935—3 p. m.

[Received 8 p.m.⁷¹]

92. Please see my despatch No. 9 of September 13.⁷² The Minister for Finance has handed Pixley⁷³ a memorandum rejecting the proposal contained in the letter of September 23 from Pratt of the National City Bank to de la Rue enclosed in the latter's letter of September 25 to Edwin Wilson.⁷² The memorandum is based on contention that the right to redeem the 1922 bonds "necessarily implies the cessation of interest payments as soon as the decision to redeem all outstanding obligations is brought to the knowledge of the bondholders".

The memorandum ignores the provision in article 26 of the Accord of August 7, 1933, that the Haitian Government can only effect an anticipatory redemption of the bonds provided it is able to make an arrangement for the purpose satisfactory to the bondholders.

The Department will note that the proposals submitted to the Haitian Government by de la Rue with respect to the method of re-funding (see enclosure 1 to my despatch under reference) were nec-

⁷¹ Telegram in three sections.

⁷² Not printed.

⁷³ Rex A. Pixley, Deputy Fiscal Representative of the Haitian Government.

essarily based throughout on the postulate that interest is payable on the bonds up to their respective call dates.

The Ministers for Finance and Foreign Affairs both took the position yesterday in conversations with Pixley that at the conference held at Kenscoff on September 12 the President stated that he did not accept the basic postulate above referred to, whereas enclosure 2 to my despatch under reference shows clearly that de la Rue in no wise understood that to be the President's position. The Foreign Minister went so far as to state that he thinks that there was a definite misunderstanding due to difference in language.

It seems difficult, however, to see how there could have been a misunderstanding on such a cardinal point, and if the Haitians present at the interview felt that de la Rue had not fully comprehended the President's position it is even more strange that they should have requested him to proceed to the United States to work out a refunding scheme if they had any reason to think that through his misunderstanding of what had been said he would go about this task on a basis unsatisfactory to them.

Since dictating the foregoing, I have just seen the Foreign Minister who says that at the very beginning of the Kenscoff Conference the President stated that he considered that if there were to be a redemption of the bonds prior to their call dates, they would cease to bear interest as from the date of such redemption and that de la Rue did not oppose this contention. The Foreign Minister said that he was surprised at the time and that now that de la Rue had sent down from New York a proposal taking no account of the President's contention, the Foreign Minister feels sure that there was a definite misunderstanding and that he has so informed the President.

I adduced to the Foreign Minister the consideration set forth in the next to the last paragraph herein above and added that irrespective of whether or not there had in fact been a misunderstanding and of the extent thereof I wished to express to him my conviction that the bondholders would not accept such an interruption of their rights as the President contended for. The Foreign Minister replied that he was not prepared to contest this and added that he was engaged in preparing a study of the question from its purely juridical point of view for submission to the President.

In fact, the Foreign Minister gave me to understand that he felt that if the President could be shown that his position was not well founded he might be brought to modify it. The first step was for de la Rue to be informed of the misunderstanding which is claimed to have arisen and the Foreign Minister thought de la Rue's reply would clarify the situation and assist in the process above indicated. The Department will I am sure treat the foregoing as of the utmost confidentiality.

By today's air mail Pixley communicated with de la Rue in the premises and transmitted a copy of the memorandum in question. The former has just reported to me that in a conference which he had with the President this morning the latter reiterated all the arguments set forth in the memorandum of the Minister of Finance above referred to and insisted that redemption of the bonds at par must necessarily constitute an arrangement satisfactory to the bondholders.

I am informed that the President has received a letter from Blanchet dated September 28 saying the latter had not yet seen de la Rue.

I presume that the Department will at once get in touch with de la Rue and I shall appreciate receiving instructions as soon thereafter as possible. With respect to such instructions may I venture to suggest that at this stage of the proceedings I should think that Vincent would be more amenable to arguments emanating from the office of the fiscal representative rather than to representations from me which might necessarily partake more of political character.

GORDON

838.51/3021 : Telegram

The Secretary of State to the Minister in Haiti (Gordon)

WASHINGTON, October 10, 1935—6 p.m.

55. Department's 54, October 7, 7 p.m.,⁷⁵ second paragraph. Blanchet called today and discussed with us the question of the refunding proposal submitted to the Haitian Government by the Fiscal Agent. With regard to the argument advanced in the memorandum of the Minister of Finance transmitted with your despatch No. 28 of October 4,⁷⁵ to the effect that Article 26 of the agreement of August 7, 1933, had modified the text of the 1922 loan contracts as regards the dates on which the bonds could be redeemed, we stated definitely to him that this agreement between the two Governments obviously could not modify in any respect whatsoever the rights of the bondholders as set out in their contract with the Haitian Government. What Article 26 states is that the Government of the United States will not invoke Article 6 of the Protocol of 1919 as an obstacle to the Haitian Government retiring the bonds before the period of 15 years fixed in Article 6 of the Protocol "provided that the Haitian Government is able to make an arrangement for this purpose satisfactory to the holders of the outstanding bonds".

We reviewed the background of Article 26 of the 1933 agreement, pointing out to Blanchet that in the last paragraph of the American Legation's note to the Haitian Government of April 6, 1932,⁷⁵ wherein

⁷⁵ Not printed.

it was stated that this Government was prepared to examine in a friendly spirit any proposals for an equitable refunding operation which the Haitian Government might be in a position to submit to it, the Legation stated "although it appears that present market conditions and the provisions of the loan contracts would make such an operation difficult at the present time". As will be noted from the Legation's telegram No. 46 of April 12, 1932,⁷⁶ the Minister for Foreign Affairs requested that the phrase quoted hereinabove be omitted, since the Haitian Government wished to submit the note to Congress and he feared that the phrase would be interpreted by the Haitian public as an indication that the Government of the United States intended to block a refunding loan. We acquiesced in the Minister's request, but in doing so (see our 21, April 13, 1932,⁷⁷) instructed our Minister to repeat to the Minister for Foreign Affairs that it was our view "that present market conditions and the provisions of the loan contracts would make a refunding operation difficult at the present time". Minister Munro's despatch No. 387 of April 25, 1932,⁷⁸ reports (page 7) that he had taken occasion on April 23 "to make certain that the Minister of Foreign Affairs clearly understood that the Government of the United States could not approve any refunding scheme which was not voluntarily accepted by the present bondholders". It was following these discussions and negotiations that the unratified Treaty of Friendship between the United States and Haiti was signed on September 3, 1932; ⁷⁹ Article 14 of this treaty regarding the prior redemption of the 1922 bonds was reproduced textually in Article 26 of the 1933 agreement. In other words, in the negotiations leading up to the conclusion of the September 3, 1932, treaty, which included the article later textually reproduced in the 1933 agreement, and at all times when this matter of prior redemption of the 1922 bonds has been raised, this Government has made it amply clear that we would make no objection to such prior redemption provided that the Haitian Government was able to make an arrangement for this purpose satisfactory to the holders of the outstanding bonds.

We expressed to Blanchet our confidence that President Vincent, in order not to violate the provisions of the 1922 contract, would desire to accept the principle, in any refunding proposal, that interest payments would be made up to the call dates of the bonds on any bonds not retired prior to those dates. In this connection we pointed out that the proposal submitted by the Fiscal Agent, together with the detailed explanations given in de la Rue's letter to Pixley of October 7, 1935, appeared to offer a plan whereunder in all likelihood

⁷⁶ *Foreign Relations*, 1932, vol. v, p. 628.

⁷⁷ *Ibid.*

⁷⁸ Not printed.

⁷⁹ *Foreign Relations*, 1932, vol. v, p. 671.

a large part of the bonds would in fact be retired prior to the call dates so that the added expense to the Haitian Government for meeting interest payment on any bonds not retired before the call dates would not be as serious as the Haitian Government had apparently apprehended.

You may, in any discussion of this matter which may come up with Haitian officials, refer to the views of this Government as hereinabove expressed.

HULL

838.51/3008 : Telegram

The Secretary of State to the Minister in Haiti (Gordon)

WASHINGTON, October 14, 1935—1 p.m.

56. Your despatch No. 17 of September 23.⁸⁰ Unless you perceive objection please call on the President and say to him that following your conference with him on September 7 you of course reported to your Government his promise to furnish you with a copy of the letter supplementary to the contract regarding the deposit of funds for retirement of the 1922 bonds, as well as copies of the other documents which may exist in connection with the Debachy contract; that your Government has now cabled you that it has been awaiting with obvious interest the receipt of these documents and that it is somewhat at a loss to understand why it has not yet received the documents.

HULL

838.51/3033

The Minister in Haiti (Gordon) to the Secretary of State

No. 40

PORT-AU-PRINCE, October 18, 1935.

[Received October 21.]

SIR: With reference to my despatch No. 28, of October 4,⁸⁰ and to the Department's telegraphic instruction No. 55 of October 10, I have the honor to report as follows.

In conversation with President Vincent yesterday he brought up the subject of the redemption of the 1922 loan and again advanced the argument that Article 26 of the Accord of August 7, 1933, was meaningless if it did not give him the right to redeem the bonds at par prior to their call date, with interest only up to the date of such redemption rather than right up to the call date.

I replied that quite aside from the fundamental fact that the Accord of August 1933 only provided for an anticipatory redemption on the express condition that the Haitian Government reach an agreement

⁸⁰ Not printed.

satisfactory to the bondholders, Article 26 was full of meaning and significance. By agreeing not to invoke Article 6 of the Protocol of 1919, and thus not to insist on keeping the loan, with consequent American financial control, alive for 15 years, the American Government, had made him a very substantial concession which had constituted a definite and tangible asset to him in his internal political program of the complete liberation of Haiti from all foreign control.

To this, I am glad to report, the President made no rejoinder.

I then said that while of course neither the Department nor the Fiscal Agent could do otherwise than maintain the principle that the bondholders are entitled to demand interest up to the call dates of their bonds, the Department felt that the refunding proposals now presented by de la Rue might well result in so little insistence upon this right on the part of the bondholders, that the interest losses to the Haitian Government might be reduced to a very appreciable degree.

To this the President merely said that he hoped so, but that he was fearful that some rather large blocks of bonds were held by corporations, such as insurance companies, which would be in no hurry to cash in and would prefer to hold the bonds and draw interest thereon right up to the call date.

In view of this conversation, which to me seemed clearly to indicate that the President was just about ready to abandon his ill-considered position, I suggested to Pixley that he take to the Palace a draft of an instruction to de la Rue—which would in terms recognize the principle of the necessity of depositing with the Fiscal Agent sufficient funds to pay off all outstanding bonds with interest to their call dates—and ask that it be approved so that he (Pixley) might send it to de la Rue by tomorrow's air mail.

Pixley got this draft—a copy of which is enclosed ⁸¹—to the Foreign Minister this noon, and the latter at once approved it. He was then requested to show it to the President, and late this afternoon M. Châtelain told Pixley over the telephone that the President had given his approval.

Accordingly, I trust that this particular difficulty may now be considered straightened out.

Respectfully yours,

GEORGE A. GORDON

838.51/3058 : Telegram

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

PORT-AU-PRINCE, November 29, 1935—2 p.m.

[Received 3:44 p.m.]

111. In a further interview with the Minister for Foreign Affairs this morning he stated that as a result of our conversation yesterday

⁸¹ Not printed.

he had been authorized by the President to show me the letter from Debachy to President Vincent of which an extract was forwarded in the Legation's despatch No. 42 of October 21.⁸³

The letter which was brief contained nothing of great interest except that it set amount due of retiring American loan at 165,000,000 francs. At present rate of exchange this is practically sufficient providing Haitian Treasury investments amounting to \$640,000 are deducted from amount outstanding of the 1922 loan.

Although he stated that he knew of no other correspondence in existence, I desire to point out that the President who handled the whole affair personally has not given this assurance.

The Foreign Minister informed me Haitian Government did not intend to make a reply to Mayard's last cable pending news of some reaction from the Department of State and has assumed that Debachy must carry out contract as stipulated and that any delay will be for his account and penalty clause thus become operative against him if first payment not made December 3.

CHAPIN

838.51/3073 : Telegram

The Minister in Haiti (Gordon) to the Secretary of State

PORT-AU-PRINCE, December 12, 1935—5 p.m.

[Received 10:55 p.m.⁸⁴]

117. I have just had a long talk with the Foreign Minister in which I asked him to tell me fully and precisely the attitude of and the exact steps taken by his Government in connection with the Debachy contract and the 1910 loan claims down to date. I told him that I had noted that on November 29 the Minister had said he would immediately recommend to the President that no negotiation should be entered into with respect to the 1910 loan without full communication and discussion with the American Government (see Legation's 109, Nov. 28, 7 p.m.⁸³) but that on December 2 he had stated that the President had instructed Mayard not to discuss further settlement of the 1910 loan claims except on certain conditions (Legation's 112, Dec. 2, 2 p.m.⁸³) which seemed tantamount to authorizing him to negotiate with respect to these claims.

I had also noted that the Foreign Minister had stated that the Haitian Government was inclined if the first Debachy installment were really available, to make a compromise payment on the 1910 loan, but that both he and the President realized that something ought to be done to reconcile such action with the commitments repeatedly

⁸³ Not printed.

⁸⁴ Telegram in two sections.

made to us concerning the maintenance of the Haitian position upon this point. (Legation's 110, Nov. 29, 9 a.m. and despatch No. 83 of Nov. 29, page 4.)⁸⁵ I asked the Foreign Minister to explain to me how he thought action of this kind could be so reconciled.

To my surprise the Foreign Minister began his reply by stating that for the first time he now felt that the money might really be available; cables received by him in the last 3 days had named certain institutions (Brown Bouverie and Company and a name which although not named is probably the Société Française des Mines de Saint Etienne) as being behind Debachy. While he had asked de la Rue to investigate the standing of these firms the Foreign Minister professed to be even more impressed with the continued insistence on the part of Mayard and Jeannot that the money was actually ready and available if the suggested settlement of the 1910 claims were effected. Accordingly the Haitian Government being, as he said, in desperate need of this money (the desperate need as the Department is aware would seem to be chiefly political) had already instructed Mayard to negotiate with the holders of the French 1910 loan along the lines reported in the Legation's 112, it being expressly understood that no commitments should accrue unless and until the first installments were actually paid over.

I expressed my surprise particularly in view of the Minister's recommendation above referred to (which in answer to an earlier question he had told me the President fully agreed to) that no negotiations should be entered into without full communication and discussion with the American Government. He replied that he had not used the word "discussion" but had said that negotiations would not be undertaken without notifying our Government; that he had informed the Chargé d'Affaires of the Government's attitude and that his statements to me today were a further notification of the steps which the Haitian Government had felt obliged to take.

I said that in view of the assurances he and the President had given me as late as October, which only constituted a confirmation of many similar prior assurances, such a change of attitude on the part of the Haitian Government was necessarily unwelcome news. He replied that new elements had entered into the situation since October but upon my pressing as to what these were, they boiled down to his contention that the new and repeated threats of the French Government to denounce the Commercial Treaty⁸⁶ if the 1910 claims were not settled constituted a new element. I replied that this had been inherent in the situation ever since last July at least and that furthermore it seemed to me that if the French were really thinking of denouncing the Treaty it would probably be chiefly motivated by their

⁸⁵ Neither printed.

⁸⁶ See pp. 650 ff.

resentment at the recent retail trade law and that I felt that he was in error in asserting that the position taken by the French in this respect was only a pretext.

In conclusion I said that I wished to tell him frankly that he could hardly expect my Government to be pleased at the action already taken by the Haitian Government which it proposed to crystallize in the event that the first Debachy installment were actually paid over; that from my point of view this could only be considered an abandonment of the principle for which my Government had vigorously and consistently contended on behalf of the Haitian Government for the last 16 years at least, and that however the Haitian Government might seek to characterize any payment—i. e. to call it only a compromise payment and to state that the Haitian Government in no wise abandoned the principle that the 1910 loan was not payable in gold—it would in reality constitute a definite abandonment of the principle in question.

I think that in this conversation I went as far as I could go without instructions and perhaps as far as the Department would wish to instruct me to go. I am reaching the point where I am not at all sure that I would not prefer to see the Debachy contract go through rather than to have it blow up. I will amplify this latter point in writing.

GORDON

838.51/3079 : Telegram

The Minister in Haiti (Gordon) to the Secretary of State

PORT-AU-PRINCE, December 18, 1935—1 p.m.

[Received 3:40 p.m.]

119. My No. 117, December 12, 5 p.m. The Liberalist representative informs me that the Foreign Minister told him this morning that a cable had just been received from Mayard stating that Darnet⁸⁸ and the German representative of Becker and Company left Paris last Monday for New York; that the whole amount of the first installment of the Debachy loan is already safe and with the New York office of Becker and Company; that the purpose of the trip of the two individuals above mentioned is to arrange for the payment of this sum over to the Haitian Government at the same time providing for the refunding of the 1922 loan.

The Fiscal Representative is now telegraphing to Lancaster⁸⁹ to ascertain the truth of this reported deposit and the Department will doubtless wish to get in touch with him.

GORDON

⁸⁸ Pierre Darnet, representative of the Debachy Finance Corporation.

⁸⁹ William W. Lancaster, member of the New York law firm of Shearman and Sterling, counsel for the National City Bank of New York.

838.51/3093

The Minister in Haiti (Gordon) to the Secretary of State

No. 125

PORT-AU-PRINCE, January 21, 1936.

[Received January 24.]

SIR: With reference to my telegram No. 3 of this date,⁹⁰ I have the honor to report further as follows.

As indicated in the said telegram, the President asked me to call upon him, and said that he wished to let me know that he had definitely decided to denounce the Debachy contract; that after consideration of the best manner in which to effect this denunciation it had been decided to proceed by way of legislative enactment. In response to a question of mine, the President stated that on December 3, the date on which the payment of the first installment was due under the contract, a formal legal summons had been addressed to Debachy in Paris demanding fulfillment of his undertaking, and that in order to make assurance doubly sure, this procedure had been repeated some weeks later—to both of which summons Debachy had failed to respond, thus putting himself in default. It may be noted that in addition, Chate-lain has stated that the Government has in its possession a letter written by Debachy to Mayard stating that the former was unable to obtain the loan. The Haitian Government accordingly is not apprehensive that its action in denouncing the contract will lead to any claim for damages on the part of Debachy or those who may have been provisionally associated with him.

The President then spoke of the possibilities of raising a public works construction loan in the United States, and referred to a communication which the Fiscal Representative had received in December from a Mr. Jenny, representing a Philadelphia group, who had expressed an interest in raising, and placing privately in that city, a five million dollar public works construction loan. The clear inference from the President's conversation was that he would have liked to have first procured a larger loan—if possible one large enough to refund the 1922 loan—but that if this was out of the question, he would now be glad if he could secure the smaller loan. He said that he wanted to keep the Department informed, through me, of his views and plans; and he came as near as he could, without putting it in plain words, to saying that he wished to avoid any further "misunderstandings", as in the case of the negotiation of the Debachy contract.

It may be noted that until the President could make up his mind that there was no longer any hope for raising any money under the Debachy contract, he showed no active interest in the possibility of

⁹⁰ Not printed.

this new American loan, which was made known to him a full month ago; but now in his pressing anxiety to secure some fresh money and to announce to the nation that he has actually done so, he wishes to go right ahead with negotiations for this possible Philadelphia loan.

In the course of our discussion, it was natural that the question of the 1910 loan should arise, and in a general way I again set forth the views which I reported to the Department in my telegram No. 117, of December 12. I said to the President that even though the instructions to Mayard may have been only to discuss with French bankers or industrialists—and not with officials—the question of a compromise settlement of the 1910 loan claims, and to make this contingent upon the payment of the first installment under the Debachy contract, and even though this contract had now been rendered nugatory, the fact alone of having authorized such negotiations had weakened the Haitian position vis-à-vis the French claims.

I think that this is true, and it is equally true that the Haitian Government did not hesitate, when under the urge of wanting to see the Debachy money, to recede from its assurances to us. It is also true that the latest action of the Haitian Government in refusing to postpone beyond February 1 the putting into force of the law restricting retail trade to Haitians of origin, is to some extent adverse to our interests. In spite, however, of these rather typically refractory manifestations, it would not in my opinion be practical policy to allow them to operate to close the door to securing this proposed loan if satisfactory terms therefor can be arrived at. In this connection, it is my understanding that the general lines of negotiations for this potential Jenny loan will be that during the life of the 1922 loan the new loan would be secured by a second charge on the Haitian revenues pledged to the 1922 loan, and that after the refunding or payment of the 1922 loan the new loan would be secured by a first charge on these same revenues.

In other words, to put the thought of the preceding paragraph in different form, if the Department sees no objection to negotiations for a private loan along the foregoing lines, it would seem to me that the very fact of entering into such negotiations and, a fortiori, their eventual success, would keep President Vincent from taking steps as to which I expressed apprehension in my despatch No. 94, December 13, and my telegram No. 118 of December 14, 1935.⁹¹

I should greatly appreciate the Department's views and instructions in the premises.

Respectfully yours,

GEORGE A. GORDON

⁹¹ Neither printed.

SALE OF THE BANQUE NATIONALE DE LA RÉPUBLIQUE D'HAÏTI
BY THE NATIONAL CITY BANK OF NEW YORK TO THE REPUBLIC
OF HAÏTI⁹²

838.516/330

The Minister in Haiti (Armour) to the Secretary of State

No. 549

PORT-AU-PRINCE, February 23, 1935.

[Received February 28.]

SIR: With reference to Legation's telegram No. 11, February 20, 12 noon,⁹³ and previous correspondence regarding President Vincent's referendum on his economic policies, and notably the effect of this appeal to the people on the Bank Sale plan, I have the honor to submit, as of possible use to the Department, certain considerations with regard to this question, notably in connection with the position that our Government may take with regard to it.

The "Bank Sale" plan—looking to eventual withdrawal of the American Government from participation in Haitian financial affairs—was worked out at the request of the Haitian Government.

The American Government was perfectly satisfied with the *status quo* as represented by the Accord of August 7, 1933,⁹⁴ although, on account of commitments taken at Montevideo it is understood we would be pleased if enabled to withdraw, consistently with our obligations to the bondholders, which, it is felt, this plan permits us to do.

The Plan envisages a contract between the Haitian Government and the National City Bank of New York. If and when this contract is approved through the regular procedure, i. e., by law of sanction voted by the Haitian Legislature, the American Government agrees to put into effect the second part of the plan, namely, to conclude a treaty declaring the existing treaties and accords providing for the financial control at an end, and vesting the financial supervision in the newly acquired and organized bank.

This contract was duly signed by the Bank and the Haitian Government on May 12, 1934.⁹⁵ It was approved, though in an amended and, it is understood, unacceptable form, by the Chamber of Deputies at the last regular session in August 1934. The financial committee of the Senate, which received the Contract from the Chamber, delivered its report, which was generally unfavorable to the Contract. The session, however, closed early in September without the Senate, as a whole, voting on the project.

⁹² For previous correspondence, see *Foreign Relations*, 1934, vol. v, pp. 339 ff

⁹³ Not printed.

⁹⁴ *Foreign Relations*, 1933, vol. v, p. 755.

⁹⁵ For text of this contract, as modified by the law of sanction of March 28, 1935, see *Bulletin des Lois et Actes, Année 1935* (Port-au-Prince, Haïti, Imprimerie de l'Etat, n. d.), p. 164; *Le Moniteur, Journal Officiel de la République d'Haïti*, May 6, 1935, p. 284.

In November 1934, the President, in a speech at Cap-Haitien, in discussing the financial situation, declared that there were only two alternatives: (1) the approval of the Bank Contract of May 12, 1934, which would bring "financial liberation" to the country; or (2) the "status quo", as represented by the Accord of August 7, 1933.

On January 12, 1935, the President called for a referendum to be held February 10th, to decide whether the people desired to see adopted by their representatives the measures set forth by the President in his speech at Cap-Haitien, November 27, 1934, with the view particularly to freeing the country from foreign financial control.

On January 18th, the eleven (majority) opposition Senators made public a signed declaration in which they stated that, regardless of the outcome of such referendum, they would not hold themselves bound by it—as they did not consider it constitutional.

On February 10th, the people voted overwhelmingly in favor of the Government.

On February 18th, the President issued an *Arrête* convoking the Chamber of Deputies in extraordinary session to fill the vacancies in the Senate, "eleven members of which are in open revolt against the sovereign will of the people."

On February 21st, eleven new Senators were elected.

On February 22nd, the President convoked the newly constituted Legislature in extraordinary session. One of the principal questions on the agenda is the ratification of the Bank Contract.

The President has been warned that before committing himself too far, he should first be sure that the National City Bank of New York is willing to consider the approval of the Contract by the newly constituted Legislature as legal and binding. If they do not so consider it and are unwilling to proceed to the consummation of the sale, then the matter apparently rests there, and the American Government will not be called upon to make a decision as to its willingness to continue with the plan.

If, however, the Bank feels that a law of sanction voted by the new Senate would be constitutional, then, presumably, it will be for the American Government to decide whether it feels it can carry out its part of the plan.

Even if the Bank should give its approval, it would seem inadvisable for the President to continue with the sale, having for its real objective the transfer of the financial control to the Bank, until the American Government's approval to the balance of the plan has been obtained.

For this reason, it would seem advisable that a decision on this point should be reached, at once, unless the Department should ascertain in the meantime that the Bank does not intend to give its approval.

It would appear that this question should be considered from two angles:

I. CONSTITUTIONALITY

Under this heading there would seem to arise two questions:

(1) Is this properly a question for the American Government? Is the American Government interested in the internal machinery by which the Contract is approved, i. e., whether in accordance with the letter of the Constitution? If the Constitution provides that such contracts must be ratified by a law of sanction voted by the Legislature, and if it is voted by a legislature functioning at least "de facto", in that it is apparently accepted by the Haitian people, are we to "look behind the seal" to the extent of deciding whether both bodies of that legislature are legally constituted; in the present instance, whether the Senate is a "de jure" Senate.

Our excuse, in the case of the Bank Contract, would be that the treaty we are planning to conclude would be based upon the Bank-Sale Contract—in that it is to the newly created Bank that the financial control would be transferred. But if such Bank has no valid, legal existence, then there would be no legal entity to which this power could be transferred, and hence the "raison d'être" of the treaty would cease to exist.

But if we reach a decision that the Senate, as at present constituted, is not, in our opinion, qualified under the Haitian Constitution, to approve the Bank-Sale Contract, then we would throw doubt upon all contracts approved by that body, as now constituted, in the future. Although, to be sure, such contracts, with private companies, would not concern us (the Bank-Sale Contract being an exception for reasons above stated), would not such companies hesitate to take the risk of accepting contracts so ratified, on the ground that a later administration might repudiate them, citing as justification the fact that the American Government had refused to admit the power of the Senate to approve such contracts?

In this connection, an instruction from Mr. Fish, Secretary of State, to Mr. Bassett, Minister to Haiti, dated February 21, 1877, is interesting. (See Moore's *International Law Digest*, volume 1, page 250.)

Furthermore, could we consider treaties or agreements concluded with the Haitian Government and requiring legislative approval—for example, our trade agreement with Haiti⁹⁶—as properly and validly ratified, if voted by the Legislature in National Assembly,—eleven members of the Senate being, in our opinion, improperly and unconstitutionally in office? To be sure, the Government has a majority in the National Assembly without having to rely on the newly elected

⁹⁶ See pp. 642 ff.

eleven Senators,—so it might be argued that, if a majority vote were secured without the eleven, this would be legal. But would not the presence of the eleven invalidate the whole proceedings?

In other words, if the American Government should undertake to decide whether in the present instance the members of the Haitian Legislature have been properly and duly elected, it might lead to unforeseen complications. An adverse decision might even necessitate withdrawal of recognition, since it would be difficult, if not impossible, to differentiate between acts valid and invalid.

President Vincent has stated that refusal of the American Government to continue with the plan, on the ground that the constitutional procedure has not been followed, would be tantamount to interference in the internal affairs of Haiti. Is that statement justified? That is, of course, for the Department to decide.

(2) If it is decided that the American Government must be satisfied as to the constitutionality of the method by which the contract has been approved, then apparently a decision on this point will have to be arrived at by the Department itself, as unfortunately there appears to be nobody here duly qualified to declare upon the constitutionality of laws, as is the case in the United States. For this purpose, the Department appears to have before it all the documents and evidence required, including a statement of the facts in the case.

The President based his right to appeal to the people to decide between him and the Senate, on Article 28 of the Constitution, which states that "national sovereignty is vested in the citizens as a whole."

The Senators, in their declaration of January 18th, replied that while Article 28 may vest the national sovereignty in the people, Article 29 formally states that "the exercise of this sovereignty is delegated to three powers, namely: the Executive, the Legislative, and the Judiciary."

In view of this, they disputed the right of the Executive to hold a referendum and declared they would not be bound by the decision of such referendum. The President held that by so declaring they had gone against the will of the people and consequently forfeited their right to hold office. In view of this, citing Article 39 as justification, he called upon the Chamber of Deputies to elect their successors in accord with Articles 50, 51, and 28 of the Constitution, and B of the "Dispositions Transitoires" of the Constitution. This having been done, the newly constituted Chamber has proceeded to its labors.

As of possible use to the Department in passing upon the constitutionality of this act, I shall forward, as soon as available, a copy of the opinion, which the Bank here has asked its legal adviser to prepare for the use of the National City Bank of New York, in reaching its decision on how to proceed.

The texts of various *Arrêtes*, memoranda, declarations, etc., in connection with the Referendum and its consequences, were forwarded to the Department under cover of the Legation's despatches Nos. 504, January 11, 1935; 505, January 14, 1935; 515, January 21, 1935; 524, January 29, 1935; 542, February 19, 1935; and 544, February 19, 1935.⁹⁷

II. PUBLIC POLICY

If the Department should reach the conclusion that the question of the constitutionality of the procedure by which the eleven Senators were replaced is entirely a domestic question, and one which we are not prepared to challenge or to pass upon, or even if, having passed upon it, we decide that the President acted within his rights in taking such action, then it would seem that we are presented with the second phase of the question, namely: whether, on the ground of Public Policy, we would be justified in continuing with the plan.

In another despatch, I endeavored to point out what seemed to be the real reasons prompting the President's action, or at any rate, those which inspired his entourage. Briefly, it would seem that the Bank-Sale question was merely used as a pretext for getting rid of the eleven opposition Senators; and the principal object in getting rid of them would seem to be not only—and perhaps not even primarily—in order to put through the various projects under consideration,—Bank-Sale Contract, Banana Contract, Electric Light Contract, Trade Convention with the United States, Boundary Convention with Santo Domingo, etc.—but to eliminate various members of the “*onze*” as presidential possibilities.

In other words, it seems evident that the desire to secure approval of the Bank-Sale plan was not by any means the sole reason for setting aside the constitutional machinery, if this has actually been done.

I mention this because, presumably, we would not wish to give any basis for the argument that the Haitian Government, having failed to secure approval of the Bank Contract by constitutional means, we supported the President in his decision to secure its approval by unconstitutional means.

This is undoubtedly an important point to be considered. The eleven ousted Senators and their followers, of whom they have a considerable number, are certainly hoping that the American Government will show its disapproval of what has taken place by refusing to continue with the plan, for one reason or another. They have become so used to the feeling that no important action of any kind can be taken that has not received the prior approval of the American Government, that now that they are standing on their own feet, they

⁹⁷ None printed.

appear to forget that many questions arise which are solely for the determination of the Haitian Government; and that we cannot undertake to pass upon them without laying ourselves open to the charge of interfering in their internal affairs.

There is one point in considering this angle of the question—i. e., public policy as distinct from constitutionality—which has not perhaps been sufficiently brought out; namely, that not only are we ourselves perfectly satisfied with the *status quo* and willing to continue with it; not only was the Bank-Sale plan worked out and agreed upon at the request, even on the insistence, of the Haitian Government, but that by it, we are giving up something to Haiti; we are surrendering certain rights legally and validly accorded us by the Haitian Government; we are voluntarily and spontaneously withdrawing from further participation in the internal financial affairs of Haiti.

For this reason, if we should decide to proceed with the plan, it would seem absurd that the charge of the “onze” and their friends—if they had the temerity to advance it—that we connived in the overthrowing of the Constitution for the purpose of securing approval of the plan, could be given serious consideration.

If the plan under consideration were, for example, the establishment of a naval base at the Mole St. Nicholas; if it were, conversely to the actual plan, to permit the American Government to secure control over the Haitian customs; then we might well hesitate, on the ground of Public Policy, from continuing with the plan after what might possibly be interpreted as a *coup d'état* by the President here. But that—when it would obviously seem to be to our interest to continue on under the accord of August 7, 1933—we should encourage the President to break through the Constitution in order to accomplish the Bank-Sale plan, would really seem to be a very far-fetched argument.

Finally, there is this point to be considered: if we should decide that we could properly proceed with the plan and it was put into effect, would there be any real danger that a subsequent administration—hostile to the bank purchase—might upset it on the ground that the Contract was never validly and constitutionally approved? The answer to this question is, I feel, furnished by the President's Cap-Haitien speech, in which he said that there were only two alternatives: (1) to vote the Bank-Contract plan; or (2) the maintenance of the *status quo*. (See also Mr. Fish's instruction to Mr. Bassett, referred to on page 6 above.⁹⁸)

If a subsequent administration, therefore, decided to repudiate the Bank Contract, it would apparently have no alternative other than to return to the Accord of August 7, 1933: in other words, to restore

⁹⁸ See p. 705, paragraph 6.

financial control under the aegis of the American Government. Would any Haitian administration dare to do this, and subject itself to the opposition attack that would inevitably be levelled at it? The answer seems fairly obvious.

When, last September, the Haitian Government, or rather President Vincent himself, suggested that, failing ratification of the Bank plan by the Legislature, they submit it to the people by referendum and substitute the approval so secured for approval by the Legislature, as provided in the Constitution, the Department intimated that it would rather not have it done in this way. The bank, even more interested, of course, took a similar position.

But there would seem to be a valid distinction between this and the procedure now envisaged to secure ratification.

Perhaps it is only a question of degree; but in the first case, there was no vestige of right under the Constitution to justify the course proposed, while in the present case, the law of sanction is to be voted by the Legislature: the only question being, whether by a duly qualified legislature.

The above ideas, somewhat confused perhaps, have been set down at random as of possible use to the Department in passing upon this somewhat complicated question. I presume of course that the Department will consult with the Bank, and that the Bank will furnish the Department with a copy of the opinion which I understand their legal adviser here is submitting to the director of the branch here.

As I have telegraphed the Department, should it reach the decision to continue with the plan, well and good. But should a contrary decision be reached, then I feel that this should be kept very confidential, and communicated to the Haitian Government either through the Haitian Minister in Washington or this Legation, as the position of President Vincent and the prestige of his Government would be very seriously affected should the fact that we have refused to continue with the plan become generally known.

It would naturally be for President Vincent, in such case, to take such measures as he might see fit to protect himself, once a decision was taken.

Respectfully yours,

NORMAN ARMOUR

838.516/332

The Minister in Haiti (Armour) to the Secretary of State

No. 563

PORT-AU-PRINCE, March 11, 1935.

[Received March 15.]

SIR: With reference to the Legation's despatch No. 562 of March 11th,⁹⁹ transmitting the text of the speech delivered by the President.

⁹⁹ Not printed.

of the Republic before the Senate at the opening of the extraordinary session of Legislature on March 8th last, I have the honor to inform the Department that this speech throws light on a situation which otherwise would give the appearance of being somewhat confused.

To go back a little; on February 21st last I received from Mr. Voorhies a copy of the preliminary draft of a proposed new contract for the sale of the bank, which he had received from the New York office. On February 27th, I sent to the Department a telegram, No. 14, 1 p. m.,^{99a} quoting from a telegram sent to Lancaster¹ by the Director of the Bank here, Mr. Voorhies, in which Mr. Voorhies reported that, in accordance with instructions sent him by the New York office, he had handed to the President and to Mr. de la Rue² copies of this new contract. He went on to say that the Minister for Foreign Affairs, M. Hibbert, just before leaving with the President for the official visit to the Dominican Republic, had informed Mr. de la Rue that "it was neither the contract nor the spirit of the contract of May 12th which the Government understood by the gentlemen's agreement with the bank was open to be accepted, with only such modifications as necessarily incident to changes in dates." The telegram went on to state that in a conference with me and with Mr. de la Rue it was thought that the resolution of the Board of Directors, referring to the new contract, and the publication of a notice to the stockholders advising the public that the May 12th contract had been set aside and that a new contract was to be negotiated, should not be made until all points had been satisfactorily adjusted with the Government. (It should also perhaps here be mentioned that Mr. Voorhies had been instructed by the New York office to publish a notice to the above effect.)

On the return of the President and his Foreign Minister from the Dominican Republic, M. Hibbert had his first opportunity really to study the new contract proffered by the National City Bank of New York, and he confirmed his early impression that this contract was not only entirely unacceptable to the Haitian Government but a departure in substance from the contract of May 12th, upon which the President had based his whole plan—his speech at Cap-Haitien of November 27th, the referendum to the people, the replacing of the eleven Senators by eleven new Senators, and finally the calling of the extraordinary session—and that the Haitian Government would insist upon the maintenance of the May 12th contract, in accordance with the gentlemen's agreement between the Bank and the Haitian Government, by which the Contract with the Bank was to be kept open until such time as the Government would be able to submit it once more for legislative approval.

^{99a} Not printed.

¹ William W. Lancaster, member of the New York firm of Shearman and Sterling, counsel of the National City Bank of New York.

² Sidney de la Rue, Fiscal Representative of the Haitian Government.

In reply to telegrams from the Bank here to the New York office a cable was received by Mr. Voorhies signed by Lancaster, dated March 7, 1935, as follows:

"Your cable of the first, your cable of the 4th, and de la Rue's cable of March 1st, have consulted with Chairman who is studying situation to ascertain if it is possible to reverse the steps already taken in good faith based upon President's cable and my letter first ultimo to Blanchet.³ Past attitude Chamber of Deputies in attempting to modify or strike out general release paragraph relating to past officers and directors and the fact that new draft submitted by Government appears to us substantially to modify contract May 12th increase our difficulties in asking Directors to reverse action taken in resolution dated February 5th but am hopeful we can find some middle ground which will be mutually satisfactory. Because of grippe attack I am unexpectedly leaving for South Carolina this afternoon upon physician's advice and will probably be away until March 18th; hence am unable either to go to Washington, D. C. or Haiti at this time. Until I (we) can talk with State Department we reserve opinion as to all legal questions. Suggest to save time Government delegate someone to come to New York to discuss situation. During my absence please address correspondence to Beaumont⁴ who will keep contact with Chairman and me. You may communicate this cable in your discretion to other persons."

Mr. Voorhies immediately took this cable over to the President, and later brought it to the attention of Mr. de la Rue and myself. On the following day, that is, Friday, March 8th, the President saw Mr. de la Rue, and expressed to him great indignation at what he considered to be the Bank's bad faith in attempting to replace the May contract by a new contract. President Vincent insisted that no instructions had ever been sent to Blanchet that justified the New York Bank in assuming that he desired to see the May 12th contract changed in any substantial particular: certainly not to have a new contract made. His whole action, he insisted, had been based upon the May 12th contract, and for them at this late hour to attempt to go back on it, would, he said, create an impossible situation. He added that he was requesting M. Hibbert to send instructions to Blanchet to inform the bank that he expected them to adhere to the gentlemen's agreement; and that the May 12th contract—if they considered that it had lapsed—must be revived, and serve as the basis for continued discussions. The President, Mr. de la Rue tells me, added to this telegram to Blanchet an instruction to call at the Department and to request the good offices of Mr. Welles⁵ in recalling to the Bank their agreement to continue on the basis of the May 12th contract.

³ Albert Blanchet, Haitian Minister in the United States.

⁴ Hartford Beaumont, member of the New York law firm of Shearman and Sterling, counsel for National City Bank of New York.

⁵ Sumner Welles, Assistant Secretary of State.

Later the same morning, the President called for Mr. Voorhies and repeated to him the substance of what he had said to Mr. de la Rue. Following this conversation, Mr. Voorhies, at the President's request, sent the following telegram to the Bank, to Mr. Beaumont, for Mr. Lancaster (out of New York for reasons of health) :

"Have just left President who stated he had impression that a voluntary confusion has been created with the object of preventing sale of *Banque Nationale de la République d'Haiti* and that new contract is an expression of this confusion, and in the spirit of the Haitian Government the contract of May 12th signed with the approval of United States Government remains the substance agreed upon to terminate the financial control. The President has communicated to me letters exchanged between him and his Minister in Washington, D. C., establishing that there never has been the question of change in the contract of May 12th. The President hopes that the contract signed May 12th and accepted by American Government be maintained. The President stated that the Legislature convened in Extraordinary Session particularly to consider Banque contract is actually considering May 12th contract. My opinion is that due to the fact that Legislature is actually considering May 12th contract a prompt decision should be reached in order to eliminate any unfavorable impression created on both the Haitian Government and the United States Government. Would appreciate prompt reply and thorough clarification."

Mr. Voorhies later called at my office to explain the situation to me, at which time he brought the above telegram to my attention. I told him that I considered it most unfortunate that the President had seen fit to question the Bank's good faith, as I thought that there were other circumstances that might explain the change in front on the part of the Bank. In any case, I felt that the injection of personalities into the negotiations might very well have an unfortunate effect, possibly bringing the negotiations to a close. It so happened that shortly after my talk with Mr. Voorhies the President asked to see me, and he immediately plunged into the whole question of the Bank Contract. With Mr. Voorhies' permission, I told the President that Mr. Voorhies had shown me a copy of the outgoing telegram. The President reiterated to me what he had already said to Messrs. de la Rue and Voorhies. I took the occasion to point out to the President what I felt would be the very unfortunate effect upon the officers of the Bank—all of them, I felt, honorable men—if his charge of bad faith were permitted to remain, and urged him to take an early occasion to correct what I felt would be a most unfortunate impression if the message were delivered. The President, who was extremely agitated, and apparently under the stress of very great emotion, finally consented to withdraw the charge and said that he would take early steps to correct it. At the same time, however, he insisted that the Bank must continue with the Contract as agreed upon, as otherwise he would be placed in an impossible position. He called my attention to the

message he had delivered the previous day to the Senate and to the Chamber in which he had, he said, stressed the fact that he expected them to ratify the Contract as presented. "If now, at this late hour the Bank is going to go back on their agreement and insist upon a new contract, where does it leave me?", he said. (The text of the President's speech was not, it might here be stated, made available until the following morning.)

Shortly after my return to my office, Mr. Voorhies telephoned me to say that the President had sent his Chief of Cabinet to arrange for a telegram to be sent to correct the unfortunate impression made by the earlier telegram. A copy of this last telegram, which Mr. Voorhies later sent me, read as follows:

March 9, 1935

"Beaumont for Lancaster. Our cable of 8th instant, instead of 'voluntary confusion had been created to prevent sale of Banque' President intended to say 'general misunderstanding appears to exist which might prevent sale of Banque'. Minister of Foreign Affairs has cabled Haitian Minister at Washington, D. C., today, March 9th, in this sense to insist upon maintaining May 12th contract intact and directed him to get in touch with Lancaster.

Voorhies"

There the matter now rests, but as stated in the opening paragraph of this despatch, a reading of the President's message to the two Chambers makes clear the reason for the President's agitation upon hearing that the Bank did not intend to proceed upon the basis of the May 12th contract.

While it might perhaps be argued that the President had due warning not to get himself into such a position, at least until he knew what action the Bank, and incidentally the State Department, intended to take with regard to the Bank-Sale plan, in view of recent political developments—in fact, the Legation's telegram No. 11, February 20, 12 noon,^a stated that the President would not take any steps that could not be retraced, until he had such information—the fact that he has, in spite of this assurance, gone ahead with his message, is another example of what is, I am afraid we must begin to consider, to be the President's *fait accompli* policy. To be sure, the message to the two Houses is merely the final and logical step in the sequence begun May 12th, continued in the Cap-Haitien speech of November, and in the subsequent events constituted by the referendum, the election of the new Senators, and the calling of the extraordinary session.

However, it is perhaps too late for criticism or personalities. The fact remains that the President has decided to go ahead "full speed" in his effort to accomplish what he terms the "financial liberation of

^a Not printed.

the country"; and it would seem that no time should be lost in reaching a decision as to what our policy is to be. Of course, the first step is up to the Bank, and Mr. Voorhies, I am informed, is today writing to the Bank, bringing the President's message to the Legislature to its attention, and urging immediate acceptance on their part of the principle of maintenance of the May 12th contract. Once that is agreed upon, the Bank can then decide what, if any changes, it may desire made in this Contract, and presumably whether or not it is willing to continue with the execution of the agreement. It will be noted that Mr. Lancaster, in concluding his telegram of March 7th last, states, "Until I can talk with State Department, we reserve opinion as to all legal questions." This of course refers to the question of the constitutionality of the proceedings under which the eleven Senators were replaced, etc.

Respectfully yours,

NORMAN ARMOUR

838.516/338

Memorandum by the Assistant Chief of the Division of Latin American Affairs (McGurk)

[WASHINGTON,] March 25, 1935.

Conversation: Mr. W. W. Lancaster, of the National City Bank
Mr. Welles
Mr. McGurk

Mr. Welles stated that due to his absence from Washington he was not fully acquainted with the situation concerning the details of the bank-sale transaction and that he would be glad to hear of the most recent developments. He then stated that he wished to make it perfectly clear that he was not attempting to suggest one way or another the action the bank should take, as the matter was a transaction solely between the National City Bank and the Government of Haiti.

Mr. Lancaster stated that he had been away from New York for several weeks and that he had not heard from the Haitian Minister since March 7; he had returned to New York only last Thursday. He said that he believed that the recent proposition of the bank to the Haitian Government had been misunderstood by the Haitian Government.

Mr. Lancaster stated that in view of the telegram quoted to him in Mr. Blanchet's letter of January 26, last, the bank understood that the Government wished incorporated in the contract the changes recommended by the Chamber of Deputies last summer, and had acted accordingly. Furthermore, in view of certain intimations that had been made by members of the Chamber of Deputies to the Direc-

tors in Port-au-Prince, regarding their liability under the stock sale plan, the Directors had believed it necessary to change the contract so as to provide for a sale of assets instead of a sale of the stock. Mr. Lancaster stated that he was now endeavoring to convince the Directors that the sale of the stock was the better plan and had consulted counsel regarding the Directors' liability under this plan. He had tentatively agreed with Mr. Mitchell, formerly Attorney General, whom he had consulted, that there would be no liability on the part of the Directors. Mr. Lancaster also stated that the question had come up regarding the liability of the Directors with respect to the use of currency instead of gold as a reserve against the issue of the gourde notes. Mr. Lancaster said that he thought it was clear that the bank in using currency had acted strictly within its rights. Mr. Lancaster also added that the bank was endeavoring to determine whether it should accept a cash payment and the balance in three years as provided in the original contract, in view of the risk involved in the potential loss of the payment of balance amounting to \$450,000, should a subsequent government determine that the action of the present Government had been unconstitutional. Mr. Lancaster felt that this difficulty would be readily overcome, as he understood that the National City Bank already had offers to finance the balance payment.

Mr. Lancaster asked what the attitude of this government would be in the event that the bank contract should be consummated under the present legislative set-up. Mr. Welles replied that, leaving aside the legal view, the matter was a question of policy, which would have to be determined if and when the bank contract was consummated.

Mr. Welles then asked if Mr. Lancaster had any information regarding the approach made by the Dominican Minister with respect to the financial plan proposed by the Dominican Government. Mr. Lancaster said that he did know something about it but he was not familiar with the details. Mr. Welles asked Mr. Lancaster if he believed Mr. Rentschler⁷ and the officers of the National City were taking the proposal seriously. Mr. Lancaster replied that he believed they were.

Mr. Lancaster asked Mr. Welles whether he had any recent information regarding the Public Works bonds in Cuba. Mr. Welles stated that it was his considered judgment that nothing could be done with respect to the Public Works bonds until such time as a constitutional government had been set up in Cuba. Mr. Welles said that he believed that Mr. Aldrich⁸ and the Chase people were fully aware of

⁷ Gordon Rentschler, president of the National City Bank.

⁸ Winthrop Williams Aldrich, chairman of the board of the Chase National Bank of New York.

this, and that Mr. Aldrich's recent communication to President Mendieta was for purposes of record.

Mr. Welles thanked Mr. Lancaster for his courtesy in coming to Washington.

Attached are copies of M. Blanchet's letter of January 26 to Mr. Lancaster, and Mr. Lancaster's reply.⁹

838.516/337 : Telegram

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

PORT-AU-PRINCE, March 28, 1935—10 a.m.

[Received 1:20 p.m.]

22. Haitian Senate yesterday after receiving favorable committee report passed bill sanctioning bank purchase contract by what is understood to be tantamount to unanimous vote. Text of the bill as passed is not yet available but I am informed that no change in text from that of May 12 were made by the Senate beyond minor ones aiming at verbal clarification being those accepted by Mr. Lancaster in his letter to de la Rue of July 2, 1934, a copy of which de la Rue informs me is in Department's files.¹⁰

Law of sanction reported to contain following clause :

"Government is authorized to make with the other contracting party all adjustments of text and dates which may be recognized as necessary and which do not alter the substance of the sale contract such as has been voted by the Legislature and this additional article becomes article 2."

The bill as passed by Senate will be reported in Chamber today with the probability that it will be passed by substantial vote thus canceling modifications adopted by Chamber last year in passing bill of sanction.

Bank officials here are without further news as to whether National City Bank will stand by original contract of May 12.

CHAPIN

838.516/340 : Telegram

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

PORT-AU-PRINCE, March 28, 1935—1 p.m.

[Received 3:10 p.m.]

23. My telegram No. 22, March 28, 10 a.m. Chamber of Deputies passed bill of sanction for bank purchase contract this morning by unanimous vote. I am reliably informed that text is the same as that passed by Senate yesterday.

⁹ Neither printed.

¹⁰ Not found in Department files.

I respectfully request contents of this and No. 22 be communicated to Armour at Princeton.

CHAPIN

838.516/343

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

No. 579

PORT-AU-PRINCE, March 29, 1935.

[Received April 1.]

SIR: I have the honor to refer to my telegram No. 24, 11 a. m., March 29,¹¹ and to my telegrams Nos. 22 and 23 of yesterday; and to give below a brief review of the recent developments with regard to the bank sale contract in Haiti, since the Minister's despatch No. 563, March 11, 1935.

It will be recalled by the Department that in a final interview with the President before the Minister's departure, President Vincent informed him that the Haitian Government was proceeding on the basis of the May 12th Contract to secure approval by the Senate and Chamber, and that he hoped very much that the Bank, and later our Government, would be willing to proceed with its part of the bargain. This approval by the legislative bodies has now been secured by what is tantamount to an unanimous vote. As I reported in my telegrams yesterday, although the text of the law of sanction as enacted has not been made public, it is understood not to contain any changes in substance or spirit from the text of the May 12th Contract. The changes are said to be limited only to those aiming at verbal clarification, and stated already to have been accepted by Mr. Lancaster in his letter of July 2nd, 1934, to Mr. de la Rue.

On the occasion of my interview with the President on March 25, he stated that word had been received from Mr. Blanchet to the effect that Mr. Lancaster was to be in Washington that day. I did not have an opportunity to discuss the matter with the President, but I may say that he expressed himself as optimistic with respect to the eventual outcome on the bank contract. This optimism appears to have continued through the week, heightened no doubt by the greatly favorable endorsement which his economic program is being given by the legislature in special session. Mr. de la Rue, who saw him as late as yesterday, informs me that when he put to him the direct question whether he had any news from Blanchet as to any developments with respect to the bank contract after his interview with Lancaster, the President stated that Blanchet had reported that no difficulties were to be anticipated, if the contract in the form as signed May 12, 1934, were passed by both houses of the legislature.

¹¹ Not printed.

In view of the above, both Mr. de la Rue and I were somewhat surprised this morning when we read Mr. Lancaster's telegram of March 28 to Mr. Voorhies. (Mr. Voorhies received this telegram yesterday afternoon but did not communicate it to me or to de la Rue until this morning.) For convenience, I am quoting the text in full:

"Your cable of the 28th instant. I am writing fully to you. At my visit State Department last Monday, made at the request Mr. Welles, he stated Department reserves the right to consider later validity plebiscite and reorganization legislative body. My reaction is Bank cannot take risk accepting three years collateral notes assuming consequent credit risk when ultimately enforcement rights to collateral and collection of notes would depend on Haitian courts possibly at that time under interests hostile present regime. Hopeful eventually ironing out other questions in form which would be mutually satisfactory. Find assumption of credit risks in view re-constitution legislative body extremely serious. I advised Blanchet Monday of our position. You may use this cable in your discretion. Regards. Lancaster."

It will be seen that this cable is at variance with the information apparently received by the President from Blanchet. Mr. de la Rue and I discussed the situation this morning with Mr. Voorhies. We feel that in the circumstances, it would be unwise to have the contents of Mr. Lancaster's recent cable communicated to the President, who would undoubtedly jump to the conclusion—as he has in the past—that this was another maneuver on the part of the National City Bank to modify its attitude as expressed in the May 12th Contract. We suggested to Mr. Voorhies, and he agreed, to keep the contents of this telegram confidential pending the receipt of further information clarifying the situation. The full details in writing mentioned by Mr. Lancaster will presumably not arrive until Monday, and it is impossible to foretell how these may modify the Bank's telegram. However, some word as to the Department's attitude would be greatly appreciated, particularly with respect to the question as to the validity of the endorsement by the Haitian legislature as now constituted. In this connection, I desire to call the Department's attention to the possibility that the American Trade Agreement, signed yesterday, March 28, will probably be among the first matters on the agenda in the ordinary session of the legislature which is to begin April 1. Presumably, approval of this Trade Agreement might constitute a precedent whose value the Haitian Government would not be slow to seize upon.

Mr. Armour has discussed fully in previous despatches President Vincent's fondness for his policy of presenting *faits accomplis*; and the present case is decidedly one in point. However, I may venture the repetition that the President's position would, it is only too evident, become untenable, if, due to the insistence of the Bank upon a change in substance in the contract of May 12, he should be unable to proceed with the contract after he has secured ratification in both houses of the legislature.

I feel sure that the President would be greatly upset at this recent move of the Bank, if the Bank's attitude is, indeed, that set forth in the telegram quoted above. Mr. Armour has explained the position of the President in his previous despatches, and will no doubt add to the picture he has already given, in his interviews in the Department.

Respectfully yours,

SELDEN CHAPIN

838.516/344

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

No. 580

PORT-AU-PRINCE, April 1, 1935.

[Received April 4.]

Sir: I have the honor to refer to my despatch No. 579, of March 29, 1935, regarding the Bank Contract, and to enclose for the Department's information a copy of the letter of March 29¹² from Mr. Lancaster to Mr. Walter Voorhies, of the Banque Nationale.

Following receipt of this letter this morning, Mr. Voorhies conferred with Mr. de la Rue and myself, and it was decided that it was inadvisable to delay communicating with President Vincent on the subject, particularly in view of Mr. Lancaster's statement that the substance had already been made known to Mr. Blanchet and presumably by him reported to the President. Accordingly, Mr. Voorhies gave a copy of this letter to President Vincent this morning. Mr. Voorhies has just telephoned me to say that he went over the letter in some detail with the President. The latter, Mr. Voorhies stated, was greatly disappointed at what he termed the legalistic attitude of the Bank, and while at first manifestly upset, appeared later to collect himself. The President informed Mr. Voorhies, in response to the latter's question, that he had in fact received some intimation from Blanchet as to certain difficulties, but at the end of the interview the President expressed confidence at the probability that a solution of the difficulties might be found; a solution which, the President added, he trusted would not be too long delayed.

It is of course possible that the President was indeed informed by Blanchet in full with regard to the Bank's attitude as developed by Mr. Lancaster to Blanchet, and that in spite of this, he has deliberately proceeded with his program of referring the law of sanction through the Haitian legislature, in an attempt to present another *fait accompli*.

There is also enclosed a copy, furnished me by the Fiscal Representative's office, of the law of sanction¹³ as passed by the Haitian legislature. This copy was secured only this morning, and I have not had an opportunity to examine it fully. I am informed that a first cursory

¹² Not printed.

¹³ Haiti, *Bulletin des Lois et Actes*, 1935, p. 164.

examination by the Fiscal Representative's office shows that there are a considerable number of small changes in wording from the original French text of the May 12 contract. Mr. de la Rue states that a detailed analysis is being prepared by his office, and copies of this, together with other copies of the law of sanction as passed, will be forwarded to the Department as soon as they become available.

April 2.

Since writing the above despatch, I have had a further talk with Mr. de la Rue, who informs me that despite assurances from the President and his Ministers to the effect that the changes embodied in the law of sanction aimed only at verbal clarification, and did not affect the substance of the contract of May 12—assurances which, I may add, were given as late as yesterday morning—it appears that this is not the case. It is understood that a copy of the old contract, with the changes embodied in the bill of sanction noted thereon, is being forwarded under cover of a personal letter¹⁴ to Mr. Edwin Wilson.¹⁵ In view of the shortness of time before the air mail leaves, I shall only mention some of the principal changes, particularly one stipulating that the Bank shall not sell in the event of default on the Government notes, the stock of the Banque held in pledge for less than the book value of the shares. Other changes believed important relate to the substitution of "appointment" instead of "election" of the Directors; the omission of the clause relative to the Directors' terms of office; and the omission in the release clause of the stockholders and the concession owners.

Respectfully yours,

SELDEN CHAPIN

838.516/346 : Telegram

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

PORT-AU-PRINCE, April 10, 1935—1 p.m.

[Received 1:55 p.m.]

28. My despatch No. 584, April 4.¹⁶ De la Rue sailing today S. S. *Cristobal* for the purpose of pursuing on behalf of Haitian Government direct negotiations with National City Bank for completion of bank purchase contract.

CHAPIN

¹⁴ Not found in Department files.

¹⁵ Chief of the Division of Latin American Affairs.

¹⁶ Not printed.

838.516/343

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

No. 278

WASHINGTON, April 17, 1935.

SIR: With reference to your despatch No. 579 of March 29th, 1935, relating to the bank sale contract, there is enclosed herewith, for your strictly confidential information, a copy of a memorandum of conversation, with its enclosures,¹⁷ dated March 25, 1935, between Mr. W. W. Lancaster, of the National City Bank, and Assistant Secretary Welles.

Your attention is invited to the reply of Mr. Welles to Mr. Lancaster, in the second paragraph on page 2 [3] of the memorandum,¹⁸ regarding the policy of this Government in the event the bank contract should be consummated under the present Haitian legislature. In this relation, the Department is confident that you will exercise due care so that no intimation or impression will be given that this Government has made any commitment in the premises.

Very truly yours,

For the Secretary of State:
SUMNER WELLES

838.516/359

Memorandum by the Assistant Chief of the Division of Latin American Affairs (McGurk)

[WASHINGTON,] April 23, 1935.

Conversation: Mr. Welles
Mr. Sidney de la Rue
Mr. McGurk

Mr. de la Rue stated that he had been conferring with the National City Bank officials during the past week and it had been practically agreed that the National City would go ahead with the contract as recently sanctioned by the Haitian legislature; that the Bank had the opinion of former Attorney General Mitchell that the stock sale plan offered adequate security and that they would proceed on that basis. Mr. de la Rue then pointed out that as the Law of Sanction, which also authorized modifications, had been included as an article in the contract itself it would be necessary to re-draft the contract leaving out the article and enact a separate Law of Sanction authorizing the modifications. Mr. de la Rue said that he had informed President Vincent of this and that the President understood the situation and would carry out this proposal, as he was very anxious to proceed and particularly to promulgate the Law of Sanction and

¹⁷ Enclosures not printed.¹⁸ Fourth paragraph of memorandum printed on p. 714.

the contract in order to quiet the members of the opposition who are endeavoring to embarrass the President by spreading information to the effect that although the legislature had approved the bank purchase the President could not carry it through. Mr. de la Rue stated that he anticipated there would be some delay in ironing out the details and in having an audit made before the final turn-over and that it will probably be July or August before all these arrangements have been completed. Mr. Welles said that he was pleased to hear this as he would be glad to see the matter delayed until the autumn. Mr. de la Rue stated that Mr. Lancaster would be in Washington tomorrow with the English drafts and that he would be glad if Mr. Welles would see Mr. Lancaster and himself. Mr. Welles stated that he would be glad to see Mr. de la Rue and Mr. Lancaster tomorrow, Wednesday, at a time to be arranged by Mr. de la Rue.

Mr. de la Rue then outlined political developments with respect to the possibility of the President having the constitution amended to insure his election in 1936, and also the Hibbert affair.¹⁹

Mr. de la Rue stated that the recent law aimed at Japanese dumping had been enacted by the Haitian legislature and that he thought it would be an excellent thing. He then stated a very interesting proposal made by the Japanese recently in Port au Prince. It seems that during a recent visit of Japanese representatives to Haiti they informed the Minister of Finance and Commerce that they were willing to purchase up to \$250,000 worth of Haitian products in order to obtain the minimum tariff. (Under a recent law enacted in Haiti those countries not purchasing 1% or more of Haitian products are subject to a surcharge of 100% on the Haitian customs tariff.) The Minister replied that he was not interested. The Japanese thereupon agreed to raise the amount to \$350,000 and the Minister replied that he would be willing to accept the proposal for the purchase by the Japanese of 50% of the cotton crop and 50% of the coffee crop. The Japanese replied that they would be willing to purchase upwards of \$350,000 worth of cotton during the coming year and on the basis of a sliding scale increase their purchases thereafter, and at the end of three years would be willing to consider the purchase of a quantity of coffee, the amount of which was not stated. Mr. de la Rue said that it was his idea that the Japanese intended to set themselves up as middle men in the coffee and cotton trade, but he had no idea just why a period of three years time should be specified as the Japanese evidently had some idea in mind which they did not disclose.

J. F. MCGURK

¹⁹ Lucien Hibbert, the Minister for Foreign Affairs, had resigned in March because of differences with the President.

838.516/363 : Telegram

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

PORT-AU-PRINCE, May 17, 1935—1 p.m.
[Received 3:35 p.m.]

34. Chamber of Deputies this morning unanimously passed without serious discussion and without modification bill authorizing Government to sign revised contract for purchase of Banque Nationale. Text of bill and contract is the final one forwarded by de la Rue and received here Sunday, a copy of which it is understood was communicated to the Department.

Am informed that bill will come up in Senate probably Tuesday where no opposition is of course expected.

CHAPIN

838.516/364 : Telegram

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

PORT-AU-PRINCE, May 21, 1935—2 p.m.
[Received 4:12 p.m.]

38. See my telegram 34, May 17, 2 [1] p.m., with respect to the Bank Contract.

Senate unanimously passed without discussion and without modification bill ²⁰ authorizing Government to sign revised contract for purchase of Banque Nationale.

CHAPIN

838.516/376 : Telegram

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

PORT-AU-PRINCE, June 19, 1935—10 a.m.
[Received 1:30 p.m.]

48. My telegram No. 46, June 11, 1 p.m.²¹ With only 18 days remaining before proposed date of transfer of Banque Nationale, no definite word has yet been received whether National City Bank agrees that transaction may take place as planned and no panels have as yet been submitted to President Vincent for selection of new directorate. This last fact renders impossible the complicated documentary and

²⁰ The law of sanction, dated May 21, approving the modified bank sale contract is printed in *Le Moniteur*, May 30, 1935, p. 343; also in Haiti, *Bulletin des Lois et Actes*, 1935, p. 197.

²¹ Not printed.

financial preparation for transfer much of which will require decisions or endorsements by incoming directorate.

Aside from possibly unfortunate effect upon the financial position of the Banque, the uncertainty of the situation is a source of considerable concern to both Banque personnel and to Fiscal Representative. De la Rue informs me that unless appointment of directors can be made within next 10 days he will most reluctantly be forced to recommend postponement of transfer date, which alternative might engender unfavorable reaction by Haitian Government since it would then be placed in embarrassing situation because of its political pledges and the fact that audit and proposed date of transfer are generally known to public.

CHAPIN

838.516/375 : Telegram

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

WASHINGTON, June 22, 1935—3 p.m.

22. Your No. 48, June 19, 10 a.m. Mr. Francis White, Executive Vice President of the Foreign Bondholders Protective Council, called to consult with the Department yesterday. The Department explained its views to Mr. White, who replied that action by the Council would be deferred until meeting of the Executive Committee next week, which may be postponed for a few days owing to the absence of several members of the Committee. The Department believes that the Council will carry out its part in submitting a panel, but this will not definitely be known until after the meeting of the Executive Committee of the Council.

HULL

838.51/2934a

The Secretary of State to the Vice President of the Foreign Bondholders Protective Council, Inc. (White)

WASHINGTON, June 28, 1935.

MY DEAR MR. WHITE: With reference to our conversation on Friday, last, June 21st, in the course of which you reiterated the views of the Foreign Bondholders Protective Council to the effect that the suggested treaty arrangement between this Government and the Government of Haiti to be entered into after the purchase of the National Bank of the Republic of Haiti by the Haitian Government would not provide guaranties as satisfactory to the holders of the bonds of the

Haitian loan of 1922²² as those created by the Protocol of October 3, 1919,²³ and by the Accord of August 7, 1933,²⁴ now in force. I feel it necessary to state that the Department of State cannot concur in the opinion so expressed.

With the evacuation of the American Forces of Occupation in Haiti and with the termination in May, 1936, of the Treaty of 1915,²⁵ a continuation of the present arrangement for the collection of Haitian funds and for the application of such funds to interest and amortization charges on the bonds of the 1922 loan would necessarily depend solely upon the continuing in force of the Protocol and the Accord above referred to. Should the present Government of Haiti, or any future Government, during the life of the loan, determine to abrogate these agreements by unilateral action, it would be contrary to the established policy of this Administration to undertake to use force in order to preserve to the present treaty officials the rights and powers now vested in them. As you are informed, the Accord of August 7, 1933, has been vigorously attacked by public opinion in Haiti and it is far from unlikely that a Haitian Government may determine to denounce this Accord during the life of the bonds of the Haitian loan of 1922. Under these circumstances, it has seemed to this Government that it would be both wise and desirable, in the interest of the American bondholders, to consider the transfer of the functions of the present treaty officials to the National Bank of the Republic of Haiti under a new treaty to be negotiated with Haiti provided that, until the bonds of the Haitian loan of 1922 are either refunded or paid in full, the management of that bank be vested in a Board of Directors selected in the manner laid down in the legislation passed by the Haitian Congress approving the contract of sale of the National Bank of the Republic of Haiti by the National City Bank of New York to the Republic of Haiti. In this manner, in the judgment of the Department of State, the best interests of the American bondholders would be fully protected, inasmuch as while their representatives on the Board of Directors of the bank would constitute a majority and should thus insure proper management of that institution, the collection and disbursement of funds applicable to the bonds of 1922 loan would nevertheless be vested in a Haitian institution, the property of the Haitian Government, and for that reason less likely to create opposition on the part of Haitian public opinion.

As you will further understand, this question of policy has been determined upon by the Department of State only after the fullest

²² See *Foreign Relations*, 1922, vol. II, pp. 472 ff.

²³ *Ibid.*, 1919, vol. II, p. 347.

²⁴ *Ibid.*, 1933, vol. V, p. 755.

²⁵ *Ibid.*, 1915, p. 449.

consideration and with all due and proper regard for the interests of the American bondholders. Since this matter of policy has now been determined, there remains only the selection of the Board of Directors of the National Bank of the Republic of Haiti when the sale of the bank is consummated. I trust that the Foreign Bondholders Protective Council, upon further consideration of the matter, will make evident its desire to cooperate both in the interest of the bondholders and in the interest of this Government by naming a panel of five persons from among whom the Government of Haiti is to select two directors for the bank. It would seem to be apparent that in the best interests of the bondholders themselves, a selection of such a panel by the Foreign Bondholders Protective Council would be highly desirable.²⁶

Sincerely yours,

CORDELL HULL

838.516/380 : Telegram

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

PORT-AU-PRINCE, July 6, 1935—noon.

[Received 1:40 p.m.]

56. My telegram of July 5, 1 p. m.²⁷ From de la Rue.

"Bank officials here have just received word that Council for Foreign 55 [*sic*] Bondholders has not submitted panel and will not meet until next week.

All arrangements made here for transfer Monday, July 8. Do you perceive any objection to our going ahead as planned?"

CHAPIN

838.516/380 : Telegram

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

WASHINGTON, July 8, 1935—2 p.m.

27. Your 56, July 6, noon. In view of the fact that the bank sale contract is a transaction entirely between the Haitian Government and the National City Bank the Department does not feel that it can offer any comment thereon. Please so inform de la Rue.

HULL

²⁶ For the attitude of the Council on this subject, see its *Annual Report, 1935*, pp. 125-126.

²⁷ Not printed.

838.516/385

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

No. 680

PORT-AU-PRINCE, July 8, 1935.

[Received July 11.]

SIR: I have the honor to confirm my telegram No. 58, of July 8, 1 [2] p. m.,²⁸ regarding the signing of the contract²⁹ for the sale of the Banque Nationale de la République d'Haiti by the National City Bank of New York to the Government of Haiti.

Mr. W. W. Lancaster arrived in Port-au-Prince on board the S. S. *Ancon* on July 7. He was taken immediately by Mr. de la Rue to see President Vincent. As a result of this interview, it was decided that since the Foreign Bondholders Protective Council had not, despite ample notice, submitted a panel of directors to President Vincent, that by virtue of the provisions of Article XVII of the proposed sale contract, it would be necessary to choose a board of arbitration for the purpose of nominating this panel.

Accordingly, President Vincent named as his arbitrator, M. Yrech Chatelain, the Haitian Minister for Foreign Relations, and Mr. Voorhies named as arbitrator for the National City Bank, Mr. W. W. Lancaster. The two arbitrators then met and drew up the enclosed *Aide-Mémoire*,²⁸ by which Mr. Franz von Schilling, an American citizen and Vice President and Treasurer of the Haitian American Sugar Company, was chosen as the third arbitrator.

Mr. von Schilling, then acting in accordance with Article XVII of the contract, made up the following panel for the two directorships of the Banque, representing the Foreign Bondholders Protective Council:

Mr. Sidney de la Rue
Mr. Rex A. Pixley
Mr. J. C. Craddock
Mr. B. C. Scott
Mr. Ellis Goodwin

The National City Bank had meanwhile submitted its own panel, which consisted of the following:

Mr. C. Waterschoodt
Mr. W. H. Williams
Mr. Earle T. Fiddler
Mr. Joseph F. Dawson
Mr. Joseph E. Wheeler

²⁸ Not printed.

²⁹ For text of contract see Haiti, *Le Moniteur*, January 4, 1937, p. 3.

This morning, after full powers had been communicated and examined, the two parties to the Contract then proceeded with the final arrangements. The National City Bank was then informed by a telegram of the exact amount of the final liquidating dividend to be paid, which would leave a net capital value of the Banque at \$1,000,000, as provided for in the Sale Contract. Upon receipt of a telegram that this liquidating dividend had been paid, the Contract was duly signed at two o'clock.

At 4:30 this afternoon, the general stockholders meeting of the Banque was held in the Banque building. Monsieur Yrech Chatelain, the Minister of Foreign Relations of Haiti, took place as president of the assembly, and Mr. Charles Frank Roy as secretary. The president read the list of the directors of the Banque chosen from the two panels mentioned above, as well as the two Haitian directors chosen by Haiti. The final list is as follows:

S. de la Rue
Rex A. Pixley
W. H. Williams
C. Waterschoodt
Eugene Roy
Abel Lacroix

The following officers were elected:

- Mr. Sidney de la Rue, President;
- Mr. Rex A. Pixley, Vice President and in charge of the fiscal administration when thus handed to the Banque;
- Mr. W. H. Williams, Vice President and General Manager of the commercial side of the Banque;
- Mr. Charles van Waterschoodt, Assistant Vice President, commercial side.

It was further decided at this meeting to confirm all employees in the main office and in the branches through Haiti in their present positions, and accordingly telegrams were despatched to the branch offices in this sense.

Although the new administration of the Banque may be considered to have taken over from today, and the Banque as functioning under such arrangement, the formal turning over will take place tomorrow morning, when a small reception will be given in honor of the President.

Respectfully yours,

SELDEN CHAPIN

HONDURAS

RECIPROCAL TRADE AGREEMENT BETWEEN THE UNITED STATES AND HONDURAS, SIGNED DECEMBER 18, 1935¹

611.1531/49a

The Secretary of State to the Chargé in Honduras (Gibson)

No. 653

[WASHINGTON,] January 14, 1935.

SIR: The Country Committee on Trade Agreements with Central America has agreed upon a tentative list of concessions and assurances to be sought from Honduras. The list will be known as Schedule I. The Committee expects to have its findings ready for mimeographing during the week beginning January 14th, and hopes to be able to submit its recommendations in final form to the Trade Agreements Committee during the following week. If this program is not delayed, it should be possible to have Schedule I ready for presentation to the Honduran Government not later than the last week in January. Copies of Schedule I and the Country Committee's report will be promptly transmitted to you as soon as they are ready. There has been no change in the Department's intention to negotiate the agreement in Tegucigalpa.

I desire to take this opportunity of expressing the Department's sincere appreciation for the prompt and useful way in which you, Vice Consul Acly and the other personnel of the Legation and Consulate in Tegucigalpa, have cooperated in furnishing information needed by the Country Committee in its study of Honduras. While it is realized that the preparation of the report submitted on "Protection of Local Industries" was necessarily handicapped by shortness of time, it contained useful information. The report, prepared by Vice Consul Acly, on the nature of special customs concessions, was satisfactory in every respect, and very useful to the Committee, as were the cabled report on the tariff classification of certain American exports to Honduras and the information submitted on the flour-mills and the coconut lard factory.

Very truly yours,

For the Secretary of State:
WILLIAM PHILLIPS

¹ For previous correspondence see *Foreign Relations*, 1934, vol. v, pp. 372 ff.

611.1581/54b

The Secretary of State to the Minister in Honduras (Lay)

No. 664

[WASHINGTON,] February 5, 1935.

SIR: With reference to the Department's instruction No. 653 of January 14, 1935, I am transmitting herewith a list of concessions and assurances² which this Government desires to obtain from Honduras in connection with the proposed Trade Agreement. Please present this list to the Honduran Foreign Minister, together with an *aide-mémoire*, the text of which is also enclosed herewith.

Under cover of a separate instruction,³ I am supplying you with a copy of the mimeographed report⁴ on Schedule I (the import schedule) prepared by the Country Committee on Trade Agreements with Central America, with the changes made in those recommendations by the Trade Agreements Committee noted in the text thereof. It is believed that this report, containing detailed analyses of the various concessions and assurances which the United States is seeking, will provide you with such background information on that subject as you may need during the course of the negotiations.

In addition, I am transmitting, under cover of the same instruction, a copy of the mimeographed report⁴ on textiles prepared by the Textile sub-Committee, which formed the basis for the concessions and assurances on textiles which the United States is now seeking.

As soon as the General Provisions for the agreement with Honduras are approved, they will be sent to you for presentation to the Honduran Government. Every effort will be made to supply you with an informal Spanish translation of those Provisions at that time, in view of your belief that consideration by the Honduran Government will be expedited if this is done. No Spanish translation of the enclosures to this instruction are being furnished, in order not to delay their transmittal, but I believe that after a study of the background information you will be in a position to make any clarifications that the Honduran Government may require in considering them.

Very truly yours,

For the Secretary of State:
FRANCIS B. SAYRE

[Enclosure]

Memorandum To Be Presented to the Honduran Foreign Ministry

Attached to this memorandum is a Schedule listing under three categories concessions and assurances on certain commodities exported by the United States to Honduras which the United States is request-

² Not printed.³ No. 663, February 5; not printed.⁴ Not found in Department files.

ing of the Government of Honduras in connection with the proposed Trade Agreement between the two countries.

Included under category (a) are the reductions in import duty sought by the United States on certain specified commodities; under (b) is included a list of items on which it is requested that the Honduran Government not raise the import duty during the life of the proposed Agreement; while under (c) two notes are included concerning treatment requested by the United States in connection with pharmaceutical specialties and patent medicines exported to Honduras.

In describing the articles on the attached Schedule, every effort has been exerted to conform as closely as possible with the nomenclature used in the Honduran customs tariff, but in view of the individual, alphabetical arrangement employed therein, in lieu of a category classification, the Government of the United States wishes to point out that the concessions and assurances contained on the attached Schedule are not limited to the tariff numbers listed following the description of the articles, but apply to all component items of the commodity groups indicated. The tariff item numbers listed, therefore, are given solely for identification purposes, for the convenience of the Honduran Government.

In no case has a preferential tariff rate been requested for products of the United States as compared with similar products from any third country.

The attached Schedule is being submitted at this time in order to give the Government of Honduras ample time to study these proposals.

It is understood that the Government of the United States reserves the privilege of suggesting such changes in this Schedule as may on further consideration seem desirable prior to its final approval by both Governments.

The Government of the United States expects in the near future to submit a preliminary draft of the General Provisions, which, together with the Schedules setting forth the concessions and assurances that may be reciprocally granted by the United States and Honduras, will constitute the Trade Agreement which it is hoped will be approved within the near future by the two Governments.

The Government of the United States is prepared to receive and give serious consideration to any proposals that the Honduran Government may choose to present in connection with possible tariff concessions which the United States might grant on products exported by Honduras to the United States of America, as well as to any other proposals which the Government of Honduras might wish to have considered in connection with the proposed Trade Agreement.

611.1531/56

The Minister in Honduras (Lay) to the Secretary of State

No. 1339

TEGUCIGALPA, February 13, 1935.

[Received February 21.]

SIR: I have the honor to report that after presenting to the Foreign Minister on February 11 the Memorandum enclosed with Department's Instruction No. 663 [664] of February 5, 1935, requesting tariff concessions (Schedule I) in connection with the projected Trade Agreement with Honduras, I had this morning a preliminary discussion with Señor Julio Lozano, the Finance Minister, to whom the Memorandum and Schedule I were sent by the Foreign Office for consideration.

Señor Lozano said that it would take him a few days more to fully consider the concessions and to determine to what extent they may be granted. When I expressed the conviction that he would find upon further examination of our suggested rates of duties that they would amply protect existing and potential domestic industries, he agreed but explained that it was most delicate to attempt to convince Deputies who are interested in local manufactures that the present duties on many articles are unnecessary for protection, create artificial monopolies, are a burden on the people and means a heavy loss of revenue to the country. He explained that it would be useless to negotiate an agreement which would not be approved by Congress. For these reasons I anticipate considerable difficulty in securing the reductions we have proposed on flour, butter, lard, soap and eggs, but some compromises on these products may be secured. The Honduran Government may be unwilling, Señor Lozano informed me, to bind on the free list empty sacks of jute, burlap or cotton, since the erection of a bag factory in Honduras is projected.

Señor Lozano said he feared that the Municipal taxes intended originally to exclude Nicaraguan products (reported in Legation's despatch No. 1189 of August 27, 1934⁵), which amount to an extra duty on a number of American products, would not be withdrawn by Congress since a number of Deputies find these taxes a valuable source of revenue for the cities in their constituencies.

During the conversation with Señor Lozano he expressed the belief that if he could give some of the Deputies an idea of what other Latin American especially Central American countries were granting us in the way of tariff reductions in trade negotiations with us, it would be of great assistance to him in his efforts with Deputies to make them see reason.

⁵ Not printed.

He said nothing about concessions Honduras would be likely to ask of the United States, but I understand from other officials that we may expect a request for reduction of United States duties on tobacco. It is believed here that in a short time, with the improved system of curing recently installed, that Honduran tobacco can compete with the Cuban product in the United States market provided United States rates of duties are reduced.

I expect to have further discussions with Señor Lozano on the Trade Agreement next Monday.

Respectfully yours,

JULIUS G. LAY

611.1531/55b

The Secretary of State to the Minister in Honduras (Lay)

No. 671

WASHINGTON, February 19, 1935.

SIR: With reference to the Department's instruction No. 664, of February 5, 1935, transmitting a list of concessions and assurances which this Government is seeking from Honduras in connection with the proposed trade agreement between the two countries, I am now enclosing a draft of the General Provisions⁶ which the United States desires to have incorporated into the trade agreement. There are also enclosed two copies of an informal Spanish translation of the General Provisions.

Please present the English draft of these provisions to the Honduran Government, together with an *aide-mémoire*,⁷ the text of which is furnished in Enclosure No. 3 of this instruction. You may likewise, in your discretion, supply the Foreign Minister with a copy of the provisions translated into Spanish, making it clear, however, that the translation is informal and unofficial, and that it is furnished solely for the Honduran Government's convenience.

Very truly yours,

For the Secretary of State:
FRANCIS B. SAYRE

611.1531/62

The Minister in Honduras (Lay) to the Secretary of State

No. 1351

TEGUCIGALPA, February 28, 1935.
[Received March 7.]

SIR: I have the honor to report the present status of the negotiations between this Legation and the officials of the Honduran Government

⁶ For text of the Standard General Provisions, see vol. I, p. 541.

⁷ Not printed.

in connection with the proposed Trade Agreement between the two countries.

Immediately upon receipt of Schedule I it was presented, on February 11, to the Foreign Office with the Memorandum or *Aide-Mémoire* transmitted with the Department's instruction No. 663 [664] of February 5. The Minister of Finance, Señor Julio Lozano, who is the only official in the Government who understands the purpose of the proposed agreement and the effect of the reduction in rates requested on revenues and domestic industries, studied Schedule I for a week and then told me that a number of Deputies in the Honduran Congress, who are interested in local industries, would not consent to any reductions on soaps of all kinds, butter, cotton shirts, eggs, hog lard, wheat flour and biscuits and crackers, sweetened, but that he thought that the tariff treatment requested on the other articles might be granted. He stated that he did not wish to express a definite opinion, however, although he agreed that some of the present duties were entirely too high and in some cases resulted in loss of revenue to the Government, but that he was unwilling to take the responsibility of even recommending that any of the rates we proposed or modifications thereof should be accepted inasmuch as Congress had refused last year to lower rates on flour which he had proposed.

Finding it impossible to carry on satisfactory negotiations with Señor Lozano, I informally appealed to the President to break the impasse and he has appointed a committee composed of the three members of the Committee on Finance of Congress, a local merchant, and the Under Secretary of Finance to study Schedule I and send the Legation a memorandum of its views. This committee have held two meetings this week but to date I have heard nothing from them. The draft of the General Provisions for the proposed Trade Agreement was transmitted to the Foreign Office on the day after its receipt, February 25.

Señor Lozano is in Salvador as Special Minister for the Inauguration of President Martínez. I strongly suspect that President Cárías does not wish to antagonize any of the deputies at this time when the President needs all the support he can muster in Congress for his plan to extend his term of office, and that he will not bring pressure on the Committee to expedite the Trade Agreement negotiations before the adjournment of Congress on April 10, 1935. I understand that several Deputies are seriously considering introducing a measure at the present session of Congress providing for a maximum-minimum tariff like the plan adopted by Salvador and subsequently by Guatemala. While the President and the Minister of Finance do not strongly favor such a plan, it seems that several Deputies advocate the enactment of this measure as a sop to the United States for declining to grant many of our requests for tariff reductions in the proposed trade agreement.

This plea is reinforced with money by the representatives here of American textile interests.

As explained in telegrams No. 12 of February 26, and No. 13 of February 28, and despatch No. 1349 of February 28, 1935,⁸ the failure of the Honduran Congress to pass a bill repealing the prohibitive municipal taxes on imports on soap, butter, lard and upper leather, renders nugatory our representations in connection with these articles and complicates the negotiations with regard to the General Provisions of the Trade Agreement. In this connection the Minister of Foreign Affairs told me that inasmuch as the above-mentioned action had been taken by the present Congress on this measure, the municipal taxes could not be repealed until the next session, in 1936.

It may be possible to make some progress in the negotiations on the agreement before my intended departure from Honduras about March 15 but it is very unlikely that a satisfactory agreement can be reached in time to be submitted for ratification to the present Congress which adjourns on April 10 next. I will, therefore, leave here for the United States about March 15 unless the Department cables me that it desires me to remain here longer.

Respectfully yours,

JULIUS G. LAY

611.1531/66

The Minister in Honduras (Lay) to the Secretary of State

No. 1359

TEGUCIGALPA, March 7, 1935.

[Received March 13.]

SIR: In compliance with the Department's telegram No. 11 of March 6, 3 PM,⁹ I have the honor to report that today I stated formally to the Minister for Foreign Affairs that my Government requests the inclusion in Schedule I of the proposed Trade Agreement, which was handed to him on February 11, of the following note:

"Products enumerated in this Schedule which are subject to payment of the special municipal taxes created by [Decree] No. 84 of the Honduran Congress published on March 3, 1934, shall on and after the date on which the Trade Agreement becomes effective be exempt from payment of such taxes."

Before making this statement he confirmed the investigations made by this Legation that the exemption accorded imports from Nicaragua and El Salvador from the effect of these special municipal taxes has not been extended to any country not named in the last paragraph

⁸ None printed.

⁹ Not printed.

of Article 7 of our General Treaty with Honduras.¹⁰ He, furthermore, stated that there are no treaties in force between Honduras and foreign countries other than the Central American States and Panama which contain an unconditional most favored nation clause or which are sufficiently broad in their terms to assure to the merchandise from those countries the same treatment accorded merchandise from Nicaragua and El Salvador. This replies to the Department's instruction No. 627 of September 29, 1934.¹¹

In addition to making the above request, I pointed out clearly to the Minister the observations contained in the penultimate paragraph of the Department's telegram and left with the Minister an *Aide-Mémoire* quoting the text of the note and my statements.

I have thought it advisable to communicate promptly and in this manner to the Foreign Minister the Department's directions regarding the special municipal taxes while Congress is now discussing Decree No. 84, in case he desires to bring to the attention of the Finance Committee of Congress, who are studying Schedule I, the connection between the proposed Trade Agreement and these municipal taxes.

Respectfully yours,

JULIUS G. LAY

611.1531/65 : Telegram

The Minister in Honduras (Lay) to the Secretary of State

TEGUCIGALPA, March 12, 1935—2 p.m.

[Received 4:14 p.m.]

14. In conversation with Minister for Foreign Affairs he informed me that committee studying proposed trade agreement are considering recommending adoption by Honduran Congress maximum-minimum tariff like Salvador. Suspect committee believes that by enactment of such a tariff they could safely refuse most, if not all, concessions requested by us in reductions in tariff rates. Does Department consider it advisable for Legation to make any statement at this time to Minister for Foreign Affairs regarding this matter?

LAY

611.1531/65 : Telegram

The Secretary of State to the Minister in Honduras (Lay)

WASHINGTON, March 13, 1935—7 p.m.

12. Your 14, March 12, 2 p.m. The Department sees no reason for making any statement.

HULL

¹⁰ Treaty of Friendship, Commerce, and Consular Rights signed at Tegucigalpa, December 7, 1927, *Foreign Relations*, 1927, vol. III, p. 101.

¹¹ *Ibid.*, 1934, vol. v. p. 381.

611.1531/76

The Chargé in Honduras (Gibson) to the Secretary of State

No. 1413

TEGUCIGALPA, May 10, 1935.

[Received May 15.]

SIR: I have the honor to enclose copies of the note of the Honduran Foreign Office¹² listing the articles that they request be placed in Schedule II of the proposed Trade Agreement, in all cases free entry being requested.

The attention of the Foreign Office was called to the fact that it would be impossible to secure free entry on all of the articles requested, but that their request would be forwarded.

One item of special interest to the Foreign Office is that of woven hats (*sombreros de junco, de cualquier clase y color*), since it is desired to foster home industries.

In addition there is enclosed a translation¹² of the list of articles requested by the Honduran Government, their paragraph number in the Tariff Act of 1930,¹³ and their duty under that Act.

Schedule I of the proposed Trade Agreement will be forwarded to the Department in the near future.

Respectfully yours,

RALEIGH A. GIBSON

611.1531/77

The Chargé in Honduras (Gibson) to the Secretary of State

No. 1415

TEGUCIGALPA, May 17, 1935.

[Received May 22.]

SIR: I have the honor to refer to the Department's instruction No. 664 of February 5, 1935, enclosing a list of concessions and assurances which our Government desires to obtain from the Honduran Government in connection with the proposed Trade Agreement.

There are enclosed copies¹² of Schedule I, listing under two categories concessions and assurances on certain commodities exported by the United States to Honduras, as accepted by the Honduran Foreign Office, for the Department's approval.

Attention is called to the memorandum regarding the change in the wording of the third paragraph of the Department's memorandum, made at the request of the Honduran Minister for Foreign Affairs. It is felt that the change offers the same protection as was

¹² Not printed.

¹³ 46 Stat. 590.

requested in the original memorandum. The Minister for Foreign Affairs has agreed to category "C", but desires to add a clause concerning medicines containing narcotic drugs; this will be forwarded in the near future.

There is also enclosed a memorandum ¹⁶ of this Mission, giving the statements of the Honduran Foreign Office regarding the articles embodied in the proposed Trade Agreement, as well as the notes of the Mission on the same subjects.

The delay in the conversations concerning the Trade Agreement was due to the opposition of the Minister of Finance, substantiated by the report of the special Honduran Commission named to study the Trade Agreement, to lowering the duties on the majority of the articles in Schedule I. During the conversations held with the Foreign Office it was impressed upon the Honduran Government officials that the Trade Agreement was for the purpose of fostering world trade and that it was felt that the Honduran Government was in favor of such a movement. In the end, the Minister for Foreign Affairs took over the discussions of the Trade Agreement, conferring with the Minister of Finance but not having him enter directly into the conversations.

It is now felt that the Minister of Finance is in favor of the Trade Agreement and will so recommend it to Congress, but certain of his recommendations regarding the Trade Agreement should be respected. He recommended to the Minister for Foreign Affairs that the duty on eggs, lard, flour and butter remain as stated in the Honduran tariff, and that no change from gross kilos to net kilos be accepted with regard to the pharmaceutical preparations.

This Mission feels that there is justice in the refusal to lower duty on eggs, lard, and flour due to the protection needed by the small producers of these articles, and the fact that the flour mills would find it very difficult to compete with the American article. In addition a concession was given a new flour mill in the last Congress, and the question of duty on flour is one of great interest to the Honduran Congressmen.

It must be appreciated that the proposed Trade Agreement is of political value to the Honduran Congress, and due to the division in the Nationalist Party, it would be used as a means of attack by one division against the other, to such an extent that the passage of a Trade Agreement would cause a great deal of possible bitter comment on the part of the Honduran public.

With the dropping of the articles, eggs, lard, flour, confectionery, common soap and the agreement with regard to duty being collected

¹⁶ Not printed.

on gross kilos, rather than net kilos on pharmaceutical preparations, it is felt that there are no articles than can be used for the purpose of political arguments.

It is also the honest conviction of this Mission that the Honduran Government offers justified arguments in refusing the lowering of duties on the above articles. Detailed explanations are given in the notes of the Memorandum attached to this despatch. It is felt that Schedule I could be accepted in its entirety.

Respectfully yours,

RALEIGH A. GIBSON

611.1531/76 : Telegram

The Secretary of State to the Chargé in Honduras (Gibson)

WASHINGTON, June 3, 1935—3 p.m.

20. Your despatch No. 1413 of May 10, 1935, transmitting draft Schedule II. You may advise the Foreign Minister informally that the Honduran requests are being studied and that we hope to decide shortly on what action, if any, is possible on all of the items specified and at your discretion you may advise him that while it will be impossible to meet Honduras' desires in all respects, we are confident a satisfactory list of concessions will result.

A concession on woven hats is apparently precluded because Honduras is a negligible supplier of this market, no imports being recorded for recent years. It is suggested that you forward by airmail all available data on this subject in order that experts here may determine whether there is any feasible way of differentiating under our tariff between Honduran woven hats and similar hats supplied in large quantities by Italy, Colombia, Ecuador and the Orient.

What effect will inability to meet all of Honduras' requests on Schedule II have on Schedule I as approved by Honduras?

HULL

611.1531/77 : Telegram

The Secretary of State to the Chargé in Honduras (Gibson)

WASHINGTON, June 3, 1935—4 p.m.

21. Your despatch 1415 of May 17. The Department is gratified with Honduras' reply regarding Schedule I of the proposed trade agreement, but is disappointed that no concession of any kind has been granted on flour and lard. While aware of the difficulties involved, we believe that no effort should be spared to work out some concession on these major products in a form which the Honduran Government would feel disposed to accept. Since the local produc-

tion interests involved are centered on the North Coast, we are studying the expediency of requesting tariff reductions on lard and flour entering through the port of Amapala. We are likewise studying the possibility, in the event no concession on flour is obtainable, of binding in the trade agreement the present tariff treatment of wheat, which it is understood is now imported free of duty by the flour mills, and if possible obtaining some concession with respect to certain special taxes to which wheat is now subject. The Department wishes you to cable your views on these suggestions and on any other alternatives that may occur to you.

HULL

611.1531/80 : Telegram

The Chargé in Honduras (Gibson) to the Secretary of State

TEGUCIGALPA, June 6, 1935—3 p.m.

[Received 11:20 p.m.]

25. Department's telegram 21, June 3rd. Honduran Minister for Foreign Affairs states that no concessions can be made regarding either flour or lard. Am positive that no tariff reduction would be given on flour or lard entering through Amapala, since the Honduran Government is protecting the small farmers making lard along the South Coast and a flour mill is to be built in Comayaguela, twin City of Tegucigalpa, in the near future to supply South Coast. Concession granted March 19th, 1935.

There would be no difficulty in binding the present tariff on wheat of lempira 0.20, and flour mill concessions to import duty free are for longer periods than life of proposed treaty. Special taxes to which wheat is subject were all included in flour mill concessions and could not be changed.

It is my strong recommendation that we recede from any request on flour and lard due to definite opposition of Honduran Government.

GIBSON

611.1531/82

The Chargé in Honduras (Gibson) to the Secretary of State

No. 1430

TEGUCIGALPA, June 7, 1935.

[Received June 12.]

SIR: I have the honor to refer to the Department's telegram No. 20, June 3, 3 PM, and this Mission's reply in telegram No. 24 of June 5, 2 PM,¹⁷ regarding Schedule II of the Trade Agreement.

¹⁷ Latter not printed.

The Honduran Minister for Foreign Affairs appreciates that all of the requests made by Honduras cannot be granted and understands the reasons for the impossibility of granting a concession on woven hats. As stated in despatch No. 1413 of May 10, 1935, he is interested in this concession in order to use it in reviving one of the home industries of the country.

It is regretted that no data could be secured in Tegucigalpa regarding Honduran woven hats, since the industry is principally in the province of Santa Barbara. However, the Minister for Foreign Affairs is securing a sample of the material and style of weaving used in Honduran hats and this will be forwarded to the Department immediately upon its receipt.

The inability to meet all of Honduras' requests on Schedule II will have no effect on Schedule I as approved by Honduras. The Minister for Foreign Affairs understood at the time that the concessions were forwarded that it would be impossible to grant all of them.

Respectfully yours,

RALEIGH A. GIBSON

611.1531/83a

The Secretary of State to the Chargé in Honduras (Gibson)

No. 703

WASHINGTON, June 15, 1935.

SIR: With reference to your despatch No. 1413 of May 10, 1935, and to the Department's telegram No. 20, of June 3, 1935 (3:00 p.m.), there is transmitted herewith Schedule II¹⁸ of the proposed trade agreement with Honduras. Please present this list to the Foreign Minister, reserving the right, of course, to make such further changes therein as may be necessary prior to definitive approval of the agreement by both Governments. A factual report¹⁸ analyzing our import trade during recent years in the items included in the draft—Schedule II submitted by Honduras—is also enclosed for your information.

You may inform the Foreign Minister that this Government has made every effort, in compiling Schedule II, to meet the desires of the Honduran Government. In the case of several items, notably resin, straw hats and reptile skins, imports into the United States from Honduras have been either negligible or non-existent in recent years, hence concessions thereon to Honduras would be inconsistent with our policy of extending concessions on specific commodities only to chief or important suppliers. This Government would be glad to consider further the possibility of sub-classifications in the United States Tariff to cover these items in the event evidence can be submitted by Honduras of a character that would justify such procedure.

¹⁸ Not printed.

You should make it entirely clear, however, to the officials of the Honduran Government that while this Government is not now able to make concessions to Honduras on items such as those mentioned in the preceding paragraph and oranges, lemons, limes, cashew nuts, onions and garlic, in which the Honduran Government has expressed interest, it is not unlikely that concessions will be made in future agreements to the chief or important suppliers of some of those articles. In that event, Honduras may benefit by being in a position to receive the concessions made to other countries as a result of our policy of generalizing tariff concessions to all nations which do not discriminate against the commerce of the United States.

You will note that cocoa or cacao beans have been added to Schedule II in the belief that this concession may be of some interest to Honduras. Also included, for the same reason, are concessions on prepared or preserved guavas, mango pastes and pulps, and guava pastes and pulps. These items appeared in the trade agreement with Haiti,¹⁸ which took effect on June 3, 1935. Fresh mangoes are denied entry into the United States by Bureau of Plant Quarantine, regulation 56, effective on November 1, 1932.

With reference to the request of the Honduran Government that gold and silver be bound on the free list, you may, if you are questioned in regard to this matter, advise the Honduran Government that this Government regards the exportation and importation of gold and silver as primarily monetary rather than trade matters, and for that reason is not prepared to make tariff commitments thereon a subject for discussion in connection with trade agreement negotiations with foreign countries. In order to be consistent with this position, this Government is reserving the right in the last paragraph of Article XIV of the General Provisions of the proposed Trade Agreement, which have already been submitted to Honduras, to adopt measures prohibiting or restricting the exportation of gold or silver.

The Department will shortly forward to you Schedule I revised in the light of Honduras' reply to this Government's original proposals. I trust that the agreement can be prepared for signature and signed in the near future. In this connection, please report on the status of the General Provisions and concerning the facilities available to the Honduran Foreign Ministry for engrossing the agreement. Full powers authorizing signature must also be prepared by this Government and by Honduras.

Very truly yours,

For the Secretary of State:
FRANCIS B. SAYRE

¹⁸ See pp. 642 ff.

611.1531/85: Telegram

The Chargé in Honduras (Gibson) to the Secretary of State

TEGUCIGALPA, June 26, 1935—1 p.m.

[Received 6 p.m.]

27. Reference Department's instruction No. 703, June 15th, Honduran Minister for Foreign Affairs informed this Mission that Schedule II is accepted by his Government as forwarded.

Recommend that Schedule I and comments regarding revised General Provisions be sent as soon as possible. Understood that the Dean of the Faculty of Medicine is attempting to influence Honduran Minister for Foreign Affairs not to include agreement regarding registration and analysis fees on pharmaceutical specialties and patent medicines on the ground that such fees are to be used for the construction of a building for the Faculty of Medicine. For this reason desire to complete agreement promptly.

GIBSON

611.1531/88

The Chargé in Honduras (Gibson) to the Secretary of State

No. 1447

TEGUCIGALPA, June 28, 1935.

[Received July 3.]

SIR: I have the honor to acknowledge the receipt of the Department's instruction No. 703, June 15, 1935, transmitting Schedule II of the proposed trade agreement with Honduras and to refer to this Mission's reply in telegram No. 27, June 26, 3 [1] P.M. The list in question was presented to the Foreign Minister and the explanation given that the American Government had made every effort, in compiling Schedule II, to meet the desires of the Honduran Government.

Schedule II was discussed in an informal Cabinet meeting and was accepted by the Honduran Government as forwarded by the Department of State.

It is hoped that Schedule I, as revised, will be forwarded in the near future, with the comments on the revised General Provisions. No difficulty is expected regarding Schedule I, since this list had been discussed by the Honduran Cabinet and approved. However, the Dean of the Faculty of Medicine has recently had several interviews with the Honduran Foreign Minister for the purpose of securing the removal of Note I, to Category C, in Schedule I. The argument is to the effect that the money received from the fees for the

analysis of pharmaceutical specialties, or patent medicines, was to be used for the construction of a building for the Faculty of Medicine.

The Honduran Foreign Minister, since the beginning of the conversations, has cooperated to the extreme, and it is felt that the articles in the General Provisions can be agreed upon without extended discussions. As soon as the General Provisions are received, telegraphic information will be forwarded to the Department regarding the paragraphs under discussion, in order that the agreement can be prepared for signature. Telegraphic replies are respectfully requested in order that the Agreement can be completed and so that the possibility of difficulty over the removal of Note I to Category C of Schedule I as proposed by the Dean of the Honduran Faculty of Medicine be thus avoided.

The Honduran Foreign Ministry has facilities for engrossing the Agreement.

Respectfully yours,

RALEIGH A. GIBSON

611.1531/85 : Telegram

The Secretary of State to the Chargé in Honduras (Gibson)

WASHINGTON, June 29, 1935—4 p.m.

23. Your telegram No. 27, June 26, 1 p. m. The Department hopes to be able to give you definite instructions regarding Schedule I within the next week. For your strictly confidential information, we are considering a final request to Honduras asking that the present duty on wheat flour be bound against increase and that wheat be placed on the free list. Cable your personal reaction to this.

As regards the general provisions, pending completion of study here, we believe time may be saved in the end if you take up at once with the Honduran Government the question of the most-favored-nation article, which is Article X of our draft and IX of theirs. Their version is not acceptable in its present conditional form. You may point out that our draft of this article corresponds to the language used in Article VII of the Treaty of Friendship, Commerce and Consular Rights between this Government and Honduras, which cannot be denounced prior to 1938. This Government is thus not asking Honduras for any more in this connection than a reaffirmation of the principle now governing the commercial relations of the two countries.

HULL

611.1531/95 : Telegram

The Minister in Honduras (Keena²⁰) to the Secretary of State

TEGUCIGALPA, July 29, 1935—6 p.m.

[Received 10:20 p.m.]

37. I have received and studied Department's instruction No. 712 July 20 and Department's telegram No. 31 July 27, noon.²¹ In my opinion the most expeditious method of procedure here will be to prepare and present to the Minister for Foreign Affairs a tentative completed draft of the General Provisions plus Schedule I and II with headings all drawn to embody points which have been settled and Department's desires in relation to the points still at issue. A draft of this nature would be inclusive of whatever desires may be expressed in the Department's answer to my telegram No. 36 July 22, 6 p.m.,²² which is now awaited. If the Department agrees that it would be preferable to proceed in this manner rather than taking up piecemeal the changes suggested in the Department's instruction No. 712 July 20th, the Department's telegram No. 31, July 27 noon, and the changes which may be directed by the Department's reply to my telegram No. 36 July 22, 6 p.m. instruction is asked on following, viz: reference Department's telegram No. 31, July 27, noon.

1. Should not effort be made to remove limitation clause from head note for Schedule I and, in substitution, incorporate if possible in General Provisions as second to last article a statement identical or similar in terms with article 13 of trade agreement with Haiti [?] ²³

KEENA

611.1531/95 : Telegram

The Acting Secretary of State to the Minister in Honduras (Keena)

WASHINGTON, August 2, 1935—11 a.m.

33. Your telegram No. 37, July 29, 6 p.m. The Department agrees with you that time may be saved if this Government now submits a tentative final draft of the agreement and this is accordingly being prepared. It will be sent you by air mail as soon as it is completed.

The telegraphic reply prepared to your 36, July 22, 6 p.m.,²² will not be sent. The suggestions embodied therein as well as in section

²⁰ Leo J. Keena presented his credentials on July 19.

²¹ Neither printed.

²² Not printed.

²³ 49 Stat. 3737, 3746.

i of your 37, July 29, 6 p.m., will be incorporated in the tentative draft.

We assume you do not intend to present separately the changes in the general provisions outlined in instruction 712 of July 20²⁵ but will take them up with the Honduran Government en bloc together with the other points on which agreement has not been reached when the final draft reaches you.

PHILLIPS

611.1531/95

The Secretary of State to the Minister in Honduras (Keena)

No. 15

WASHINGTON, August 24, 1935.

Sir: With reference to the Department's telegram No. 33, of August 2, 1935, I am transmitting herewith a tentative final draft²⁵ of the proposed trade agreement with Honduras, consisting of General Provisions, Schedule I and Schedule II.

The Department hopes that Article I in its present form will be agreeable to Honduras. You will note that mention of public service charges and ships' dues has been omitted. The Department believes that this omission should be acceptable to Honduras if it understands thoroughly the exact purport of Article I, which is to insure that tariff concessions provided in Schedule I will not be nullified by increases in governmental charges other than customs duties. The article does not provide for the abolition of such special charges but only that such existing charges shall not be increased. It affects only products named in the schedule.

Article I does not apply to charges on ships, as distinguished from their cargoes, and hence there would be nothing in the trade agreement or in the existing treaty which would limit the amount of the charges imposed on ships. The only requirement in the treaty is that such charges must not be discriminatory.

You will observe that a paragraph has been added to Article I, following substantially the wording proposed by Honduras, specifically exempting soaps and butter from the effect of the taxes provided for by Decree No. 84. It is not essential that reference be made to the ordinary municipal taxes in view of the statement contained in section two of your telegram No. 36, July 22, 6 p. m.,²⁵ to the effect that they are true internal taxes affecting both domestic and imported products alike. However, since it is believed that they are accordingly covered by Article III of the General Provisions whereby each country agrees to accord national treatment to the products of the other in re-

²⁵ Not printed.

spect of internal taxes, appropriate reference has been made, for purposes of clarity, to that article in the enclosed revised text of Article I.

Two paragraphs have been added to Article XII in order to meet the Foreign Minister's objections on the subject of sanitary laws and regulations as reported in section four of your telegram No. 36, July 22, 6 p.m. These paragraphs form part of Article X of the trade agreement between the United States and Brazil and the Department believes that they will satisfactorily answer the Foreign Minister's objections.

The final article of the General Provisions, numbered XVI, has been redrafted in an endeavor to meet the Honduran position regarding withdrawal of concessions which may result in serious loss of customs revenue. You will observe that Article XVI stipulates that the Agreement will have a life of one year and that it may be denounced thereafter on six months' notice. This should give Honduras the safeguard which it appears to believe necessary, and at the same time eliminates mention of loss of revenue. It would permit Honduras to propose changes at the end of one year and if such changes should not be agreed to by the United States, the agreement could be terminated on six months' notice.

Schedule I has been rearranged without regard to categories (a), (b) and (c). The concessions are now arranged numerically, with both bound items and reductions in duty figuring in the same list and with the note on pharmaceuticals quoted in your telegram No. 32, of July 16, 5 p. m.,²⁶ included after the concessions on patent medicines. The wording of this note has been altered merely to permit mention by name of the three conventions of Geneva and The Hague concerning the manufacture and traffic in narcotic drugs.

The attached draft of Schedule II is substantially as transmitted to you under cover of the Department's instruction No. 703 of June 15, 1935. One difference which you may explain to the Honduran Government is that the description opposite No. 1765 has been altered to read "deer skins, raw" instead of "deer and elk skins". The former nomenclature is that used in Schedule II of the trade agreement with Brazil,²⁷ hence it must also be used in extending this concession to Honduras, which is, of course, a minor supplier of deer skins; and which, it is understood, does not export elk skins. This change should therefore be of no practical importance.

The Department is not delaying this instruction in order to prepare a tentative final Spanish translation of the agreement. It is believed that with the informal translations thus far furnished you that the Legation should be in a position to assist the Honduran Government in working out a definitive Spanish text of the agreement.

²⁶ Not printed.

²⁷ See pp. 300 ff.

The Department trusts that with the submission of the attached tentative final draft you will be able to reach an agreement promptly with the Honduran Government on the questions still at issue and that preparations for signature of the agreement may be begun in the near future.

Very truly yours,

CORDELL HULL

611.1531/103

The Minister in Honduras (Keena) to the Secretary of State

No. 39

TEGUCIGALPA, September 11, 1935.

[Received September 18.]

SIR: I have the honor to refer to my despatch No. 28 of August 30, 1935²⁸ reporting the receipt of the proposed tentative final draft of the trade agreement with Honduras and stating that it would be submitted to the Honduran authorities as soon as a translation of it had been made.

The draft of the proposed agreement with an informal translation into Spanish of the text of the agreement and of its accompanying schedules was handed to the Minister for Foreign Affairs on September 4.

I called on the Minister for Foreign Affairs September 10 to inquire regarding the trade agreement. He said he had gone over the draft carefully but did not wish to make any comment until he had had an opportunity of discussing it with Dr. Lozano, Minister of Finance. Unfortunately Dr. Lozano has been suffering from a rather violent attack of grippe for the past week and could not be consulted on any official matter. It is expected that he will be able to return to his office within a few days.

Respectfully yours,

L. J. KEENA

611.1531/104 : Telegram

The Minister in Honduras (Keena) to the Secretary of State

TEGUCIGALPA, September 24, 1935—4 p.m.

[Received 8:45 p.m.]

48. The President of Honduras plans to appoint Armando Flores Fiallos, Under Secretary and now in charge of the Ministry of Finance as plenipotentiary to sign the trade agreement. I was asked today if I had received full powers to act as plenipotentiary in this matter to which I replied that I had not as yet received that authorization but would telegraph for it.

²⁸ Not printed.

The agreement as drafted by the Department and forwarded this Mission with instruction No. 15 of August 24, 1935, has not yet been returned to the Ministry for Foreign Affairs by the Ministry of Finance but I gather that as Doctor Lozano, the Minister of Finance, is probably definitely retiring from that office the trade agreement will be passed on promptly by Fiallos and I do not anticipate any material alterations in the text being suggested. Naturally any suggested change in the text not withdrawn after discussion will be reported to the Department for appropriate instruction.

KEENA

611.1531/104a : Telegram

The Secretary of State to the Minister in Honduras (Keena)

WASHINGTON, September 26, 1935—7 p.m.

43. Your telegram No. 43, September 24, 4 p.m.

1. Full power authorizing you to sign trade agreement is being prepared and will be sent you by airmail.

2. The Department will seek final approval of the agreement at this end as soon as you report that it is acceptable to the Honduran Government. Any changes which may still be suggested by the latter will be considered and worked out prior to seeking such approval here.

3. Please forward by airmail final approved Spanish text for review here prior to signature.

4. The press release is in course of preparation. Please ascertain whether text thereof should be forwarded to you for prior approval by the Honduran Government and whether the latter desires full text of agreement to be released at time of signature or if not when this may be done. We would like if possible to release full text at time of signature.

5. The Department assumes that the signed agreement will be submitted for ratification to the Honduran Congress during its session beginning January 1, 1936.

HULL

611.1531/105 : Telegram

The Minister in Honduras (Keena) to the Secretary of State

TEGUCIGALPA, September 27, 1935—4 p.m.

[Received 8:20 p.m.]

51. Department's telegram No. 43, September 26, 7 p.m. Referring to paragraph 2, I have not yet received Honduran views regarding

final text. Referring to paragraphs 3 and 4, these will be dealt with opportunely. Referring to paragraph 5, the Department is correct in the assumption that signed agreement must be submitted to Honduran Congress for ratification. Session begins January 1, 1936. I am sending by air mail copy of decree nullifying [*No. ?*] 14 dated September 26th, 1935, naming Flores Fiallos as plenipotentiary for the signing of the Trade Agreement.

KEENA

[For text of reciprocal trade agreement between the United States and Honduras, signed December 18, 1935, see Department of State Executive Agreement Series No. 86, or 49 Stat. 3851.]

RESERVATION BY HONDURAS OF CLAIM TO SOVEREIGNTY OVER
SWAN ISLANDS DESCRIBED IN NAVY DEPARTMENT PUBLICATION
AS UNDER THE DOMINION OF THE UNITED STATES *

811.0141SW2/140

The Honduran Chargé (Cáceres) to the Secretary of State

[Translation]

WASHINGTON, December 12, 1935.

HIS EXCELLENCY THE SECRETARY OF STATE: In compliance with special instructions of my Government, I have the honor to advise the enlightened Government of the United States of America, through Your Excellency's worthy channel, of the facts and statements which I respectfully set forth below.

In Volume LXVI, No. 6 of the publication, *The National Geographic Magazine* for the month of December, 1934, and which is published by the National Geographic Society, Hubbard Memorial Hall, Washington, D. C., there was published, as a supplement, the map "Mexico, Central America and the West Indies", on which the *Islas del Cisne* (Swan Islands) appear as a possession of the United States of America, to judge by the denomination by which they are mentioned in the said map: *Swan Is. (U. S.)*.

The said *Islas del Cisne*, unless there is some omission, are situated at 17°24' latitude north and 83°56' longitude west of the Greenwich meridian, off the coast of Honduras in the Atlantic, and belong to the Honduran Archipelago of which the islands called *Islas de la Bahia*, *la Isla Misteriosa*, *la Isla de los Bajos*, *las Islas Viciosas* and others form a part.

* For previous correspondence, see *Foreign Relations*, 1927, vol. II, pp. 530 ff. and *ibid.*, 1928, vol. II, pp. 655 ff.

In connection with the publication of the said map, a copy of which I am taking the liberty of enclosing, this Legation pointed out under date of January 26 of this year, to Mr. Gilbert Grosvenor, the distinguished President of the National Geographic Society, that the said Islas del Cisne have been and are under the exclusive dominion of the Republic of Honduras, at the same time requesting him to be good enough to take measures to correct the erroneous cartographic indication on the map referred to, with respect to the traditional dominion of Honduras over the Islas del Cisne. In replying to the said note, the National Geographic Society was good enough to give the following explanation :

“In compiling the map of ‘Mexico, Central America and the West Indies’ we followed the nomenclature contained on page 245 of the *Central American Pilot*, Hydrographic Office, published by the Navy Department of the United States of America. This publication says: ‘Swan Islands. These islands are under the dominion of the United States. United Fruit Co. maintains a light-house which is visible for 20 miles, as well as a radio station operating under the call signal US.’ ” *

In view of the statement which I have transcribed permit me to place on record, in the name and in representation of my Government, that the said Swan Islands form part of the territory comprised under the sovereignty of Honduras. Honduras attained to independence as a Province of Central America, in the first place, and as a sovereign Republic subsequently, with the said Swan Islands, as with the other adjacent ones, included in the total area constituting her territory. Her titles of dominion and possession over the said Swan Islands, as over the other islands of the archipelago they form go back to the immemorial time when Spain discovered and took possession of said Islands.

Accordingly, carrying out special instructions from my Government, as I have stated, I take the liberty of submitting to the enlightened Government of Your Excellency, protecting Honduran rights of dominion and possession, and requesting that it be given due consideration, a respectful, but formal protest against the appearance of the Swan Islands so frequently mentioned above in No. 130 of the *Central American Pilot*, Hydrographic Office, published by the United States Navy Department, and on the map to which I refer, as belonging to the United States of America.

I am glad to avail myself [etc.]

JULIÁN R. CÁCERES

* Tr's note: This letter has been translated from the Spanish translation thereof. The wording, therefore, is not the same as that of the original. [Footnote in the file translation.]

811.0141SW2/140

*Memorandum by the Assistant Chief of the Division of Latin
American Affairs (Beaulac)*

[WASHINGTON,] December 12, 1935.

The Honduran Chargé d'Affaires brought this note³⁰ and its enclosure³¹ in today and pointed out that, in sending it, his Government had no intention to create an incident—in fact it wanted to avoid an incident. The Honduran Government merely felt obliged to keep its record in the case of the Swan Islands clear, following the publication of the National Geographic Society map referred to.

I told Señor Cáceres that we would receive his communication in the same spirit.

[WILLARD L.] B[EAULAC]

³⁰ *Supra.*

³¹ Not reprinted.

MEXICO

INFORMAL DISCUSSIONS WITH A VIEW TO THE SETTLEMENT OF AMERICAN AGRARIAN CLAIMS AGAINST MEXICO PENDING BE- FORE THE GENERAL CLAIMS COMMISSION¹

411.12 P/954

*The Secretary of State to Mr. Joseph R. Baker, Assistant to the Legal
Adviser, and Mr. Peter H. A. Flood, Foreign Service Officer*

WASHINGTON, April 4, 1935.

SIRS: Reference is made to the provisions contained in the protocol signed by representatives of the United States of America and the United Mexican States on April 24, 1934,² to the effect that the two Governments should proceed to an informal discussion of the so-called agrarian claims pending before the General Claims Commission with a view to making an adjustment thereof consistent with "the rights and equities of the claimants and the rights and obligations of the Mexican Government", and that "pending such discussion no agrarian claims will be presented to the Commission for decision, but memorials of cases not yet memorialized may be filed in order to regularize the awards of the Commission made upon the agreed adjustments".

Pursuant to the statement contained in the Department's telegram of March 21, 1935, to the American Embassy at Mexico City,³ that it was prepared to send a representative or representatives to Mexico for the purpose of entering into discussions with officials of the Mexican Government under the arrangement made in the protocol, and in view of the Embassy's telegram of March 22, 1935,³ wherein it was stated that the proposed procedure would be satisfactory to the Mexican Government which was prepared to begin discussions immediately, I direct you to proceed to Mexico City at your earliest convenience for the purpose of the informal discussion contemplated by the protocol.

Of course it would be desirable to arrange for a just settlement of all the agrarian claims and thus avoid the time and expense which would be involved in submitting them to the Commission and any proposal by the Mexican Government looking to such a settlement will be the subject of attentive consideration. However, it is naturally not the purpose of the Department to agree to any settlement which would unduly sacrifice the interests of the claimants, many of whom

¹ For previous correspondence, see *Foreign Relations*, 1934, vol. v, pp. 398 ff.

² *Ibid.*, p. 470.

³ Not printed.

have long since suffered the loss of substantial property rights without receiving that just compensation to which they are entitled under the applicable rules and principles of international law.

Respecting the promise made to the Mexican Government by Secretary Hughes in 1924 ⁴ regarding the acceptance of bonds on behalf of claimants whose lands had been expropriated up to an area of 1755 hectares in each case, you may say, if reminded of such promise, that as no such bonds were given or offered to the great majority of American claimants and since no interest has been paid for some years on the few bonds so offered and accepted, with the natural result that the market price of the so-called agrarian bonds has declined until it is but a small fraction of the face value, your Government considers itself released from such promise.

You will feel free to communicate with the Department in detail concerning any proposal for an adjustment which may be made by the Mexican Government and you may intimate to the Mexican negotiators that any such adjustment made upon a fair scale of compensation would be very favorably received by public opinion in the United States as evidencing the sense of justice of the Mexican Government.

You are aware of the advisability of concluding the discussion without much delay in order that the American Agency, General Claims Commission, United States and Mexico, may proceed in good season with the formalities incident to the submission of the agrarian claims to the Commission provided no agreement for a general adjustment seems practicable.

Very truly yours,

CORDELL HULL

[Pursuant to the above instruction negotiations were carried on in Mexico City by Mr. Baker and Mr. Flood until August and were continued by Ambassador Daniels. A number of memoranda and drafts were exchanged without reaching any agreement. These papers have been omitted.]

411.12/2249

The Secretary of State to the Ambassador in Mexico (Daniels)

No. 922

WASHINGTON, November 2, 1935.

SIR: I have received and given careful attention to your Embassy's despatch No. 2980 of October 15, 1935,⁵ wherein Mr. Norweb reports

⁴ Letter (not printed) sent to the Mexican Chargé upon ratification of the General Claims Convention on March 1, 1924 (411.12/99b); see telegram No. 119, August 22, 1923, to the Chargé in Mexico, *Foreign Relations*, 1923, vol. II, p. 550, and *Proceedings of the United States-Mexican Commission Convened in Mexico City, May 14, 1923* (Washington, Government Printing Office, 1925), p. 44.

⁵ Not printed.

you as recommending the acceptance of the draft protocol enclosed with the despatch as proposed by the Mexican Foreign Office for the adjustment of the so-called agrarian claims, but I regret to say that my consideration of this draft and the accompanying *aide-mémoire* does not lead me to agree with your opinion that the draft is fairly satisfactory from the standpoint of the United States.

I am particularly disturbed by statements contained in the *aide-mémoire* representing the interpretation which the Mexican Government places upon certain provisions of the proposed protocol and I have no doubt that if this Government should accept the draft, subsequent proceedings would clearly reveal that this interpretation would be upheld by Mexican officials dealing with the matter of these claims to the possible great detriment of this Government and its citizens who are claimants against Mexico on account of lands expropriated from them by the Mexican authorities.

It is stated in the discussion in the *aide-mémoire* of Articles II and III of the draft that the Mexican proposal stipulates that the memorials shall deal exclusively with facts, although it is admitted in the same sentence that the protocol of April 24, 1934, permits the memorials to state also "the legal principles the basis of a claim". Moreover, in this same discussion the *aide-mémoire* cites as an evident advantage of the system the Mexican Government is proposing that "it satisfies the Mexican stand on the elimination of all legal discussions". Furthermore, in discussing the provisions of Articles IV and V, it is stated in the *aide-mémoire* that the text of the draft protocol submitted by the Department in its instruction of September 20, 1935, would appear to admit the possibility of presenting arguments of a legal nature and that the text of the Mexican protocol is designed to overcome this difficulty.

In connection with the foregoing, I invite your attention to the provisions of the General Claims Convention between the United States and Mexico of September 8, 1923, wherein it is provided (Article III) that each Government may present to the General Claims Commission, orally or in writing, all the arguments deemed expedient in favor of or against any claim and wherein it is also provided (Article II) that the Commissioners shall make and subscribe a solemn declaration stating that they will decide the claims in accordance with the principles of international law, justice and equity. It is even set forth in Article IX of the Convention that in any case the Commission may decide that international law, justice and equity require that a property or right be restored to the claimant in addition to the amount awarded in any such case for all loss or damage sustained prior to the restoration.

The Convention clearly contemplates that the claims of American citizens on account of property expropriated for so-called agrarian

purposes by the Mexican Government shall be supported by their Government with arguments of a legal nature and shall be decided in accordance with international law and consequently I am clearly of the opinion that I would not be justified in imperiling the interests of the claimants by agreeing to any provision which might later be construed to preclude this Government from supporting the claims by arguments directed to the legal issues involved. Moreover, in the absence of such arguments it is difficult to see how the persons appointed to deal with the claims, should the protocol be accepted, would have sufficient basis for reaching a rightful determination thereon. I am even doubtful whether it might not be necessary in the event that the draft protocol proposed by the Mexican Government be accepted, to submit the agreement to the Senate of the United States for its approval, in view of the divergencies between the provisions of the draft and the provisions of the General Claims Convention.

It is of course true that by the Protocols of 1932 and 1934 this Government agreed to an informal discussion of the agrarian claims pending before the General Claims Commission with a view to making an adjustment thereof and that pending such discussion it was agreed that no agrarian claims should be presented to the Commissioners or to the umpire. However, this agreement of 1934 expressly provided that the adjustment thereby contemplated should be "consistent with the rights and equities of the claimants and the right and obligations of the Mexican Government, as provided by the General Claims Protocol of June 18, 1932" and this Department is not willing to enter into any agreement which might be construed to curtail the rights and equities of the claimants or the rights and obligations of the Mexican Government. It clearly believes that should it refrain from presenting to the persons designated to pass upon the claims, the legal issues involved, it would be open to the serious criticism of having yielded rights and equities of the claimants or at least of having failed to support such rights and equities as it is morally obligated to do.

[Here follows discussion of specific articles in Mexican draft.]

You will please bring the substance of the foregoing to the attention of the Mexican Foreign Office and state that except as above indicated the draft authorized by the Department's instruction of September 20, 1935, represents the limit to which the Department considers itself justified in going to meet the view of the Mexican Government respecting the disposition of the agrarian claims. Accordingly, you will ask to be advised at an early date whether the Mexican Government is disposed to conclude a protocol along the lines of that draft of the Department, with the few amendments which, as above indicated, the Department is willing to accept.

For your information it may be stated that the Department feels strongly that American citizens having so-called agrarian claims against the Mexican Government would be in a better position to have a just and impartial determination upon their claims were these claims to be presented to the General Claims Commission as provided for in the General Claims Convention of 1923 rather than to be submitted to a Special Tribunal. The efforts which the Department has made to agree with the Mexican Government upon some special disposition of these claims have been made with the idea of meeting the views of the Mexican Government so far as is possible without betraying the interest of the claimants and further than it has gone in this respect the Department is unable to justify itself in proceeding.

It may be added that the Department is of the opinion that the negotiations which have been pending for six months past have been sufficiently prolonged so that it should now be clearly evident whether a satisfactory agreement is possible and that therefore unless it shall promptly appear that the Mexican Government recedes from its position as disclosed by the draft under consideration and the accompanying *aide-mémoire*, this Government will have no alternative but to consider the negotiations at an end and to proceed with the filing of the memorials of the so-called agrarian claims with the General Claims Commission, leaving it to the Mexican Government to answer them or not as it may see fit.

Very truly yours,

For the Secretary of State:
R. WALTON MOORE

411.12/2263

The Ambassador in Mexico (Daniels) to the Assistant Secretary of State (Moore)

MEXICO, November 9, 1935.

[Received November 18.]

MY DEAR JUDGE MOORE: I have received the Department's instruction No. 922 of November 2, 1935, concerning the negotiation of a convention to deal with agrarian claims now filed with the General Claims Commission. It is my belief that to carry out this instruction may close the door to further negotiations and I should like you to know my views before taking this course.

From the Mexican viewpoint the object of the proposed convention in removing agrarian claims from adjudication by the General Claims Commission is to avoid any juridical discussion of the Mexican Constitution and Mexican laws. This objective has been clearly brought

out from the very initiation of the discussions and in every draft submitted by the Mexican Government. The Mexican negotiator has never wavered in his demand that the claims should be decided upon the facts in each case and that all legal discussion should be avoided. With this in mind he has uniformly insisted that the documents to be submitted by the representatives of either Government be limited to memorials and answers thereto.

Since the object of the proposed convention was to find a satisfactory formula to settle these agrarian claims without entering into a long drawn out and involved discussion with the Mexican Government as to its Constitution and laws, I was under the impression that, in its willingness to enter into the negotiations for the proposed protocol, the Department was agreeable to endeavoring to find such a formula. However, the instruction just received would seem to indicate that though apparently approving of the negotiations the Department never intended to waive its rights under the Protocol of April 24, 1934, to question the legality of the Mexican Agrarian Code "in accordance with the principles of international law, justice and equity".

If this is the case and the Department insists upon its right to plead the claims by arguments directed against the legal issues involved, it would seem to be unnecessary to further prolong the negotiations. If however this is the case, I am at a loss to understand why the negotiations have been permitted to drag on for eight months, or why they were ever initiated, since the Mexican position was well known to the Department even when the Protocol of April 24, 1934, was signed.

In view of the importance which the Mexican Government attaches to the avoidance of legal discussion of its Constitutional provisions with reference to the agrarian laws, which form the keystone of the national policy of the present administration, I am wondering whether the Department has considered the consequences which will probably result from insisting upon following the course outlined in Instruction No. 922 of November 2. In this event it is almost certain the agrarian claims filed with the General Claims Commission will have to follow the long and involved procedure with the filing of briefs and counter-briefs, which would raise legal debates on the Mexican laws and regulations with possible unfortunate repercussions upon our general relations with Mexico.

The Mexican Agent, barely able to keep up with his schedule for the other claims, has intimated that he will be unable to cope with the addition of all the agrarian claims and will, presumably, have to ask for an extension of time.

The Mexican negotiator expressed the hope that once a convention was signed it might be possible to arrange for a speedy en bloc settlement of all these agrarian claims in accordance with the procedure

followed in the case of the Special claims. These agrarian claims, as you know, cover only those which accrued before August 30, 1927, and does not include the many claims which have arisen since that date. As I reported to the Department, the successful conclusion of the proposed protocol might have a bearing upon the Mexican proposal to refrain from expropriating any more land from American citizens, and I fear that this suggested solution to our present agrarian difficulties would be out of the range of possible consideration should we now terminate these discussions. Moreover, there is room for an honest difference of opinion as to whether the advantage gained from the right to press past agrarian claims on legal bases would offset the advantage which might accrue to present American land owners in Mexico and possibly to American claimants whose lands were expropriated subsequent to August 30, 1927, were the convention to be successfully concluded.

With the former oil discussions⁶ in mind, it is doubtful whether it is good policy to embark upon a legal discussion with the Mexican Government as to its rights to enforce its Constitution and laws upon foreigners within its borders, and I fear that like these former discussions it will avail us nothing but may embarrass our relations and react to the detriment of a favorable solution of other questions now pending, or which may arise.

I shall, of course, abide by the decision of the Department but feel it to be my duty to bring the above considerations to your attention before carrying out the instruction and terminating the negotiations for this agrarian claims convention. I shall, therefore, await the receipt of further word from you before communicating the substance of the instruction to the Mexican Government.

Faithfully yours,

JOSEPHUS DANIELS

411.12/2263

The Assistant Secretary of State (Moore) to the Ambassador in Mexico (Daniels)

WASHINGTON, November 14, 1935.

DEAR MR. DANIELS: Since the receipt of your letter of November 9, relative to agrarian claims now filed with the General Claims Commission, I have had the matter re-examined by Mr. Baker, of the Legal Adviser's office, and am enclosing herewith his memorandum,⁷ which has Mr. Hackworth's approval. I do not think anything should be said or done that will imply in any way our abandonment of the prin-

⁶ See pp. 764 ff.

⁷ Not found in Department files.

ciple of international law that entitles Americans whose lands are taken to be fully compensated, precisely as compensation in this country is made to owners whose lands are taken for public purposes.

I shall not incorporate in the file your personal letter to me, but shall include the letter above mentioned, along with Mr. Baker's memorandum, and a copy of this letter.

Yours very sincerely,

R. WALTON MOORE

411.12/2273

The Ambassador in Mexico (Daniels) to the Secretary of State

No. 3083

MEXICO, November 27, 1935.

[Received December 4.]

SIR: I have the honor to refer to the Department's instruction No. 922 of November 2, 1935, concerning the proposed convention regarding agrarian claims filed with the General Claims Commission, United States and Mexico.

In accordance with this instruction, on November 22 a letter was addressed to Mr. Sierra, the Mexican negotiator, a copy of which is enclosed herewith.

As the Department is already aware, the Mexican Government has decreed official holidays for all Government employees from November 20, the anniversary of the revolution, until the end of the month, which this year brings these holidays up to Monday, December 2. During these holidays it is practically impossible to do any business with the various departments of the Mexican Government, since the responsible heads of the various departments go out of town and leave a very junior official in charge. A reply from the Mexican government can, therefore, not be expected until after these holidays next month.

Respectfully yours,

JOSEPHUS DANIELS

[Enclosure]

The American Ambassador (Daniels) to the Oficial Mayor, Mexican Ministry for Foreign Affairs (Sierra)

MEXICO, November 22, 1935.

MY DEAR MR. SIERRA: I refer to your *aide-mémoire* dated October 11, 1935,^s with which was enclosed a draft of a protocol relative to the agrarian claims referred to in Article I of the protocol signed in the City of Mexico on April 24, 1934. A copy of the *aide-mémoire* and the draft of the proposed protocol were forwarded to my Govern-

^s Not printed.

ment for consideration and I have now received further instructions in which I am requested to inform you as follows:

In the *aide-mémoire* referred to above, it is stated in the discussion of Articles II and III of the draft that the Mexican proposal stipulates that the memorials shall deal exclusively with facts, although it is admitted in the same sentence that the protocol of April 24, 1934, permits the memorials to state also "the legal principles the basis of a claim". Moreover, in this same discussion the *aide-mémoire* cites as an evident advantage of the system the Mexican Government is proposing that "it satisfies the Mexican stand on the elimination of all legal discussions". Furthermore, in discussing the provisions of Articles IV and V, it is stated in the *aide-mémoire* that the text of the draft protocol submitted with my letter of September 26, 1935,⁹ would appear to admit the possibility of presenting arguments of a legal nature and that the text of the Mexican protocol is designed to overcome this difficulty.

In connection with the foregoing, it is provided in the General Claims Convention between the United States and Mexico of September 8, 1923, (Article III) that each Government may present to the General Claims Commission, orally or in writing, all the arguments deemed expedient in favor of or against any claim and (Article II) that the Commissioners shall make and subscribe a solemn declaration stating that they will decide the claims in accordance with the principles of international law, justice and equity. It is even set forth in Article IX of the Convention that in any case the Commission may decide that international law, justice and equity require that a property or right be restored to the claimant in addition to the amount awarded in any such case for loss or damage sustained prior to the restoration.

The Convention clearly contemplates that the claims of American citizens on account of property expropriated for so-called agrarian purposes by the Mexican Government shall be supported by their Government with arguments of a legal nature and shall be decided in accordance with international law and consequently the American Government would not be justified in imperiling the interests of the claimants by agreeing to any provision which might later be construed to preclude the American Government from supporting the claims by arguments directed to the legal issues involved. Moreover, in the absence of such arguments it is difficult to see how the persons appointed to deal with the claims, should the Mexican draft be accepted, would have sufficient basis for reaching a rightful determination thereon.

⁹ Not found in Department files.

Turning to the specific changes proposed in the Mexican draft, it is observed that in Article I there have been added to the definition of agrarian claims those arising from the subdivision of large estates, while with respect to the claims arising from the nullification of titles the limitation contained in my draft submitted September 26, "for the benefit of centers of population" has been omitted.

My Government is unable to agree to the proposed change and is of the opinion that claims arising from the taking of lands when such lands have not been distributed as *ejidos* are not properly agrarian claims and have not been so considered in the discussion of this subject between the two Governments beginning with the Bucareli Conference of 1923. Moreover, the terms "subdivision of large estates" and "nullification of titles" are so general in character that it might later be argued that they would embrace claims clearly not agrarian in nature. In this relation it should be pointed out that in at least one claim (that of Mattson, Docket No. 3079) where the issue involved was the expropriation of petroleum deposits, the Mexican Agent has declined to answer the memorials on the ground that the claim is agrarian in character. This case is cited as evidencing the danger which would be involved in consenting to a definition of agrarian claims in the terms now proposed by the Mexican Government.

Article II of the Mexican draft proposes to limit the pleadings to memorials and answers and taken in connection with the above-mentioned provisions of the *aide-mémoire*, it would presumably result under the protocol, if accepted, that the Mexican Government would insist upon its interpretation of this Article to the effect that the memorial should deal merely with facts and abstain from legal discussions. For the reasons above stated, no such agreement can be made by the American Government.

With respect to the proposed provisions of Article II of the draft, my Government is constrained to insist that the provisions of this Article as contained in the draft submitted with my letter of September 26 should be retained providing as they do for the right to submit the pleadings and briefs authorized by Paragraph Sixth of the Protocol of April 24, 1934.

Article III of the Mexican draft provides that memorials and answers shall be presented to the representatives appointed to consider the agrarian claims and that if they shall determine that any particular claim is not agrarian, they shall transfer the claim to the General Claims Commission. There is no provision in this Article for the probable case of a disagreement by the two parties respecting the classification of a particular claim nor as to the time within which a claim returned to the Commission shall be so returned. These

omissions would seriously jeopardize the work of the American Agency with respect to a claim returned to the Commission and apparently render it impossible so to organize the work of the Agency with respect to agrarian claims, as is necessary to complete such work in accordance with the terms of the protocol under which the Agency is proceeding. Moreover, under the terms of Article III of the draft, if accepted, the contention might be made by the Mexican Agency with respect to some claims filed by the American Agency with the General Claims Commission that such claims are agrarian claims. This would result in conflicts respecting the jurisdiction of such claims with two sets of Commissioners each in a position to determine which of them had jurisdiction over the case.

My Government is of the opinion that the only arrangement which might be expected to work smoothly with regard to the agrarian claims would be that contemplated in my last draft, that is, to place the claims before the General Claims Commissioners, leaving it to them to determine which are agrarian claims, the latter to be disposed of by the method provided in Articles IV, V and VI of that draft.

With regard to Article IV of the Mexican draft it may be said that in connection with the above-mentioned statements of the *aide-mémoire*, it might be argued that, under the provisions of this Article, if accepted, the Commissioners were precluded from recording their conclusions of law.

The provisions of Article V of the Mexican draft carry out the idea involved in Article III thereof that the pleadings shall be delivered to the representatives provided for in Article IV of the draft rather than to the General Claims Commissioners and such provisions are therefore unacceptable to that extent. Furthermore, no provision is made in this Article for a limitation upon the time spent by the two Governments in negotiations, if the Commissioners shall disagree upon the matter of the sum to be paid. A brief period only should be provided for diplomatic efforts to agree upon the sum to be paid.

In view of the expressed desire of the Mexican Government to expedite the consideration of agrarian claims, the American Government would be willing to agree to limit to three months the period for the consideration of such claims by the representatives referred to in Article IV.

So far as concerns the provisions of Article VI of the Mexican draft they are satisfactory.

I am accordingly instructed to inform you that, except as above indicated, the draft submitted with my letter of September 26 represents the ultimate concessions which my Government considers itself

justified in making to meet the views of the Mexican Government respecting the disposition of the agrarian claims and it would be greatly appreciated if you would kindly advise me at an early date whether the Mexican Government is disposed to conclude a protocol along the lines of that draft. Should the Mexican Government not be disposed to recede from its position as disclosed by the draft under consideration and the accompanying *aide-mémoire* there would appear to be no alternative but to consider the negotiations at an end and to proceed with the filing of the memorials of the agrarian claims with the General Claims Commission.

Very sincerely yours,

JOSEPHUS DANIELS

411.12/2275 : Telegram

The Ambassador in Mexico (Daniels) to the Secretary of State

MEXICO, December 14, 1935—2 p.m.

[Received 5:51 p.m.]

225. I talked yesterday with Sierra and he promised to send me next week a reply to the recent letter embodying the position of the Department about agrarian claims. The Mexican Government is strongly adverse to any agreement which would permit any except the Mexican Government to define or pass upon what is an agrarian claim. I gathered from conversation that the Mexican Government would welcome an en bloc settlement but would not agree to the proposition presented by the Department.

DANIELS

CONCERN OF THE UNITED STATES RESPECTING DIFFICULTIES
EXPERIENCED BY AMERICAN PETROLEUM INTERESTS IN MEXICO

812.6363/2829

The Secretary of State to the Ambassador in Mexico (Daniels)

No. 673

WASHINGTON, March 23, 1935.

Sir: I enclose a copy of a memorandum¹⁰ left at the Department on March 14, 1935, by Mr. Harold Walker, Vice President of the Huasteca Petroleum Company, and several of his associates, in which are set forth and discussed the difficulties being experienced by American petroleum interests in conducting their operations in Mexico. As of possible interest in this connection, your attention is invited to the views expressed by the Department in its mail instructions Nos. 493

¹⁰ Not printed.

and 555, dated September 29, 1934, and December 19, 1934, respectively.¹¹

If the statements contained in this memorandum are true, as would for the most part appear to be indicated by the information contained in the Embassy's recent reports on the subjects, and if there is no prospect of a change for the better in the Mexican Government's present attitude towards the interests of the American companies concerned, the situation will in all probability develop to a point where the companies will feel compelled to invoke the Department's assistance in order to secure recognition and protection of their legally acquired rights. The Department can not envisage without the utmost concern a possible revival of the serious controversy which engaged the attention of the two Governments for ten years prior to the promulgation of the amended regulations of the Mexican Petroleum Law on March 27, 1928,¹² and which it was thought had been satisfactorily and amicably terminated at that time.

The Department would sincerely regret to find itself in a position where it would be called upon to make official remonstrance against acts of the Mexican Government concerning which complaint has been made and which certainly appear to be prejudicial to the legitimate interests of American citizens and contrary to the repeated assurances given this Government by competent Mexican officials. Such representations if made to the Mexican Government would, it is believed, inevitably entail controversial discussions of a nature unlikely to benefit the relations between the two countries. It therefore appears essential, if this unpleasant eventuality is to be avoided, that an effort be made through informal and friendly contacts with the appropriate Mexican authorities to induce them to realize the disagreeable potentialities of the situation and the very earnest desire of this Government to be able to refrain, as a Government, from becoming involved in it. If the Mexican Government is really desirous of avoiding the possible revival of the controversy it is believed that if some speedy action were taken on the long-pending applications for confirmatory concessions filed by American companies, holding oil properties acquired legally and in good faith prior to 1917, such action would serve as a definite indication of that Government's intentions and relieve at least some of the apprehension now felt by the American interests concerned.

I leave to your discretion and good judgment the devising of methods for carrying out this suggested course of action. It occurs to me, how-

¹¹ Neither printed.

¹² For text of the petroleum law of December 26, 1925, see Mexico, *Diario Oficial*, December 31, 1925, p. 892. For Spanish text of decree amending the petroleum law, see *ibid.*, March 28, 1928, p. 4; for English text, see *Foreign Relations*, 1928, vol. III, p. 301.

ever, that you might appropriately resume with the present Minister for Foreign Affairs the conversation had by you with his predecessor which was reported in your despatch No. 1843 of October 11, 1934.¹³ Pertinent inquiries and allusions made casually by you and perhaps by the senior members of your staff in personal conversations with Mexican officials might be helpful as indicating the extent of our interest in the matter. In these conversations it would, of course, be advisable to avoid specific reference to the difficulties encountered by any particular American company.

It is also considered desirable that the Embassy maintain close contact with the responsible representatives of the American companies whose interests have been or may be adversely affected. They should be assured of the Embassy's willingness to cooperate with them and they should be rendered such informal assistance as may be possible and proper in the circumstances.

Very truly yours,

CORDELL HULL

812.6363/2838

The Ambassador in Mexico (Daniels) to the Secretary of State

No. 2450

MEXICO, April 12, 1935.
[Received April 17.]

SIR: Yesterday morning, accompanied by Mr. Norweb, Counselor of the Embassy, I called on the Foreign Minister, and told him I was leaving Monday¹⁴ for the United States to be gone several weeks. Before going I asked to bring to his attention several questions upon which I expected to confer with the Secretary of State when in Washington. I was particularly desirous of ascertaining the attitude of the Government with reference to matters touched upon in instruction No. 673, containing the memorandum from Mr. Harold Walker, Vice President of the Huasteca Petroleum Company. Following the expression of that instruction, I refrained from "specific reference to the difficulties encountered by any particular American company", but propounded questions designed to ascertain the situation, not only with regard to the petroleum question, but also on the payment for agrarian expropriations,¹⁵ and the religious situation¹⁶ at the present time.

At my request, Mr. Norweb has prepared a memorandum of the conversation, which is appended. The answers to my questions indicate that no immediate response may be expected bearing on the fears

¹³ Not printed.

¹⁴ April 15.

¹⁵ See pp. 753 ff.

¹⁶ See pp. 782 ff.

of Mr. Walker with reference to the petroleum claims of the Huasteca Petroleum Company.

As to the payment for lands expropriated, the Minister is waiting upon the studies of the Minister of Hacienda. In view of my interest he said he would take the matter up again with the Minister. At a previous interview, when I called his attention to the fact that, whereas bonds had formerly been given in payment for the lands expropriated, but none had been provided recently, he had said that all the bonds authorized by law had been issued, and that no new authority for additional bonds could be obtained until Congress meets in September. A recent statement shows that during February last nearly 50,000 hectares were provisionally donated and 42,017 hectares definitely given to agrarians.

In a former conversation I had told the Minister that the action of certain Mexican states, particularly meaning Tabasco, in closing churches and denying the exercise of their office by priests, had caused much sentiment in favor of the Borah Resolution.¹⁷ Yesterday I told him that tourists just from Mazatlán had told me the churches were closed, and asked if there had been any change in the situation with reference to churches and priests. I indicated, as I had formerly done, that such action had militated against the best conditions between the two countries. He realizes the situation and said that the situation is less acute and is improving.

The Minister believes the strike situation will not be as serious as has been generally feared in view of the declaration of some of the labor organizations (there are several and they are antagonistic) for a general strike on April 20th. He bases his optimistic view upon the action of the President in the Puebla strike, brought on by a bitter struggle between rival unions.

The Minister made reference to the fact that his predecessor, Dr. Puig, and myself had arranged to go to the border and at first hand to study the situation regarding the disposition of waters of the Rio Grande and the Colorado River, which was not carried out because, as Dr. Puig was retiring, he concluded to leave the trip and preliminary study for his successor. "I think upon your return", said Mr. Portes Gil, "it would be well if you and I can carry out the original idea so our governments may know all the conditions that must precede a treaty agreement." I told him that in 1934 my government had approved the visit and study and I would be pleased to take the matter up with him upon my return in June.

Upon taking leave of the Minister, I asked him to give the same courteous reception and consideration to Mr. Norweb, who would

¹⁷ S. Res. 70, 74th Cong., 1st sess., p. 786.

be in charge in my absence on leave, he had always shown me. The Minister and Mr. Norweb are already on good terms and Mr. Norweb will have access to him when public business requires. Inasmuch as May is an "off month" in government circles, with thirteen days of holidays in the public departments, it is not probable that any of the important matters I brought to the attention of the Foreign Minister or now pending will come to a head during my absence. While in the United States I wish to discuss those and other matters with the Secretary of State at his convenience.

Respectfully yours,

JOSEPHUS DANIELS

[Enclosure]

Memorandum by the Counselor of Embassy (Norweb) of a Conversation Between the American Ambassador (Daniels) and the Mexican Minister for Foreign Affairs (Portes Gil)

MEXICO, April 11, 1935.

In the usual Thursday interview with the Foreign Minister today, the Ambassador told Mr. Portes Gil that he was leaving for the United States on Monday, and that there were three questions which were sure to be put to him in Washington, namely:

- 1—the petroleum question;
- 2—the possibility of payment for agrarian expropriations;
- 3—the general politico-religious situation throughout the country.

1. Petroleum:

With respect to this question the Ambassador remarked that the Foreign Minister, in view of his active interest in the question in the past, was aware of some of the difficulties experienced by the American petroleum companies in Mexico in their current relations with the authorities. Chief among the present difficulties was the uncertainty as to what the Government meant by the recent announcement of the Minister of National Economy that the Government was making a general revision of petroleum concessions. Some of the American companies feared that this policy might operate against the confirmation of many important applications for concessions which they now have pending. The Ambassador went on to explain that on the basis of the 1928 adjustment¹⁸ approximately $\frac{2}{3}$ of the pre-constitutionally-held rights had been confirmed, but applications for confirmatory concessions covering over one million hectares of similar land had been pending now for nearly eight years.

The Minister replied that in view of his close contact with the Morrow-Calles arrangement of 1928 and his duties as Attorney General

¹⁸ See *Foreign Relations*, 1928, vol. III, pp. 292 ff.

in the previous administration, he was familiar with many of the details. He assured the Ambassador that the study now being made in the Ministry of National Economy covering the question of concessions was in the nature of a housecleaning and would not in any way involve concessions already granted. "We are not thinking," he said, "of withdrawing from the position adopted at that time. That is a finished chapter. As regards concessions still awaiting confirmation, it is my understanding that the 1928 criteria will apply in these cases. However," he added, "many of these cases are difficult to decide, and if there have been delays they arise from other causes and not as the result of the Government's having changed its position with regard to the criteria adopted in 1928.["]

The Ambassador went on to say that another matter causing some concern to American petroleum companies arose from two recent decisions of the Supreme Court which reversed decisions of that same body in 1932 and 1933, whereby the court now takes the position that subsoil rights flow to the Government from declarations of national waters. Important property holdings of American companies dating from pre-constitutional times have been affected by these two decisions, and there is much uneasiness in the industry that these decisions may be used by the Ministry of National Economy to encroach upon petroleum lands which the companies feel they have legally acquired.

The Minister also appeared familiar with this phase of the matter, as he referred to one of the cases by name, and pointed out that this question of the subsoil rights in Federal Zones was a matter that had never been definitely decided; that these two decisions of the Supreme Court did not constitute a precedent, and that until five decisions have been taken on this issue the Government is free to follow the course of action dictated by the merits of each individual case. Of course, if there were any feeling of denial of justice in any of these cases, or in any other aspect of the petroleum situation as it affected American companies, the Minister would be glad to take it up with the interested Department.

The Ambassador said that he did not intend to discuss any individual cases this morning, but that he merely wished to call the Minister's attention to the situation in the oil industry as it affected some important American interests, and spoke of his concern lest difficulties in the application of the understanding reached in 1928 might lead to a re-opening of some of the old issues which it was intended permanently and amicably to dispose of at that time.

2. Compensation for Agrarian Expropriations:

Upon inquiring about the present status of this matter, which had been discussed on several previous interviews, the Ambassador was assured by the Foreign Minister that only recently he had again re-

minded the Finance Minister of our lively interest in this question. He had, however, nothing new to report, but he promised that this was a question to which he would continue to give his attention. He could make no promise, however, as to when the Finance Minister would complete his studies.

3. Politico-Religious Situation:

In discussing the general situation throughout the country, the Foreign Minister minimized the seriousness of the many impending strikes. He was sure that the President's intervention would end the trouble at Puebla, and that the lesson learned there would remove the danger of a general strike in Mexico City on the 20th of this month.

Asked if there were any change in the general religious situation throughout the country, the Foreign Minister expressed the opinion that the President's recent public condemnation of excesses in the application of the laws in this respect had had a good effect. Minor officials, he said, in outlying districts, impressed by the President's words of caution, were more careful not to be overly-zealous in their relations with Church officials. The churches, he admitted, were still closed in some of the States, but he had heard that in the State of Aguascalientes there was a definite improvement in the situation, and there was a disposition on the part of the priests to conform to the regulations.

In concluding the interview, the Foreign Minister announced to the Ambassador that his appointment had been made with the President for 1 o'clock tomorrow—Friday—afternoon.

**REPRESENTATIONS AGAINST FURTHER EXPROPRIATION BY THE
MEXICAN GOVERNMENT OF LANDS OWNED BY AMERICAN CITI-
ZENS UNTIL AUTHORIZATION FOR PAYMENT BE MADE**

812.52/1921

The Chargé in Mexico (Norweb) to the Secretary of State

No. 2635

MEXICO, June 13, 1935.

[Received June 21.]

SIR: I have the honor to submit the following brief review of the present agrarian situation as it affects American citizens as background to this Embassy's despatches reporting its efforts on behalf of its citizens whose lands are affected by expropriation proceedings under the Agrarian Code:

Prior to the appointment of Ambassador Morrow, it was the practice of this Embassy, when called upon to intervene on behalf of American citizens in agrarian cases, to address itself to the Foreign

Office. This practice almost invariably resulted in a reply to the effect that the matter had been referred to the appropriate authorities for investigation and it was rare indeed that any redress was obtained for the American landowner.

Ambassador Morrow . . . obtained the approval of the Mexican Foreign Office for a member of the Embassy staff to take up agrarian cases informally directly with an official of the National Agrarian Commission, which then formed a part of the Department of Agriculture. This policy has since been followed with varying effectiveness. At first the Mexican Government, occupied with its religious troubles and not pressing its agrarian reform policy, was inclined to be conciliatory and these informal representations to the National Agrarian Commission were sympathetically received and occasionally favorably acted upon, although the files show that whenever favorable action was obtained it constituted but a respite and the land, temporarily saved to its owners, was invariably seized at a later date.

Since the inauguration of the present administration on December 1, 1934, conditions have radically changed. The National Agrarian Commission is now an autonomous department of the Government, no longer a dependency of the Department of Agriculture, and is now known as the Agrarian Department. . . .

Taking full advantage of the amendment to the constitution of December 30, 1933,¹⁹ eliminating all legal recourse in expropriation proceedings, the administration of President Cárdenas is able to boast that it has given more land to the people during its short tenure of office than any other Mexican Government for a like period and the President loses no opportunity to announce that agrarian reform is the keystone of his policy. On May 1, alone, *ejidal* grants amounting to 552,936 hectares were distributed to 36,856 heads of families. In keeping with this policy is the announced intention of the Chief of the Agrarian Department to favor agrarians as against the landowners. In an open letter to *El Nacional*, published February 21, 1935, Señor Gabino Vazquez stated that in those cases where agrarians had seized property illegally, his Department by official intervention had been able, keeping within the law, to make their position legal and to give them definite possession of the land they had illegally occupied and cited the case of the Fernandez ranch, *Las Rucias*, as an example.

The ineffectiveness of handling agrarian cases through the Foreign Office is well illustrated by this same *Las Rucias* case in which the Embassy, under instructions from the Department, very actively intervened and, even though the Foreign Office was forced to admit

¹⁹ Mexico, *Diario Oficial*, January 10, 1934, p. 121.

the illegal status of the agrarians and promised the Ambassador that they would be evicted from the property, nevertheless, the Agrarian Department gave these same agrarians provisional possession of the land and the presidential decree confirming this provisional grant is expected to be issued shortly. Likewise in the case of Doctor Bauchert's property, in which, under instructions from the Department, a report was requested from the Foreign Office on February 18, 1935, and in spite of numerous personal reminders by the Ambassador to the Minister for Foreign Affairs²⁰ himself and several follow-up notes, a report has only just now been received, four months after the original request was made, which confirms the right of the agrarians to occupy over one thousand hectares of Doctor Bauchert's property.

In its informal representations to the Agrarian Department, the Embassy's efforts have been equally fruitless and it has so far not even received a reply to its several informal letters and personal interviews. For instance, the case of the Compañía Agrícola de Quimichis, on which a memorandum was personally presented by an officer of this Embassy to the Chief of the Agrarian Department on February 28, and in spite of repeated reminders and further representations no answer has as yet been obtained.

Under the Agrarian Code a person, whose lands form the object of petitions by agrarians for *ejidos*, has recourse only to the Local Mixed Agrarian Commission, which is composed of five persons, two of whom are representatives of the Federal Government, two of the State Government and one of the peasants. The landowner has no recourse to the courts and can only appeal to the Agrarian Department after the Mixed Agrarian Commission has reached a decision and sent the file to Mexico City.

When an American landowner considers that the expropriation proceedings are not being legally conducted, that the agrarian census is padded, or that the names appearing on this census are not those of bona fide residents of the neighborhood, or that his lands are wrongly classified, he appeals to the Embassy for redress, having exhausted his recourse before the local committee. The Embassy's only choice is to take the matter up with the Foreign Office or directly with the Agrarian Department. If it takes the case up with the Foreign Office, a brief note is received to the effect that the matter has been referred to the Agrarian Department and that the Embassy will be advised in due course, and that is where the matter usually ends. If the Embassy takes the case up informally with the Agrarian Department, it may be that, as a result of insistence and persuasion,

²⁰ José Manuel Puig Casauranc.

an inspector is sent to the affected property to investigate the complaints. The most that may be expected from such an investigation is the retaking of the census or the reclassification of the lands with no material benefit to the landowner.

Since a residence in the petitioning center of population for six months only is required to entitle a person to be inscribed in the census and that a census consisting of but twenty male Mexicans of 16 years of age or over is sufficient to form a new center of population with the right to petition for *ejidos*, it is a very simple matter to gather a few persons together near the property wanted, take a census, and within a very short period to expropriate the land legally under the Agrarian Code, as was done in the *Las Rucias* case. Under the circumstances, it is small wonder that the Embassy's representations on behalf of American citizens whose lands are threatened with expropriation have been without avail.

There remains but the question of indemnification as provided for under the constitution and in the Agrarian Code itself. But under the code the question of indemnification does not arise until after the final expropriation decree has been issued and the person whose lands are affected has applied for payment. For the moment the very contentious question as to whether or not the value of the property as declared by the owner for tax purposes constitutes adequate payment is overshadowed by the question as to what constitutes effective payment. Although Secretary of State Hughes agreed to recognize payments in agrarian bonds for a maximum of 1755 hectares taken from any one person,²¹ the depreciation of these bonds, on which neither interest nor amortization is being paid, vitiates this agreement and we can no longer obligate our nationals to accept them in payment.

In this connection, I refer to the Embassy's despatch No. 2224 of February 12, 1935,²² reporting a conversation between the Ambassador and the Minister for Foreign Affairs in which the latter stated that congressional authorization was necessary before any more agrarian bonds could be issued and also to recall the statement made by the Minister of Finance in Congress December 19, 1933, to the effect that the agrarian debt then amounted to nearly 800,000,000 pesos, as reported in the Embassy's despatch No. 2262 of February 19, 1935.²²

²¹ A letter to this effect was sent to the Mexican Chargé d'Affaires upon ratification of the General Claims Convention, March 1, 1924 (411.12/99b); see telegram No. 119, August 22, 1923, to the Chargé in Mexico, *Foreign Relations*, 1923, vol. II, p. 550; and also *Proceedings of the United States-Mexican Commission Convened in Mexico City, May 14, 1923*, p. 44.

²² Not printed.

In this connection I enclose an excerpt²³ from a most interesting treatise on the agrarian question written by Doctor Eyler N. Simpson,²⁴ who has been conducting his investigations in Mexico since 1927 on a scholarship from the Institute of Current World Affairs. The treatise was shown to me in confidence by Doctor Simpson, who asked that it be not referred to nor quoted from for publication until after its approval by his principals.

Even if Congress should authorize the issuance of more agrarian bonds, these bonds could not be accepted as effective compensation unless their market value were very substantially increased, which the issuance of a large number would not tend to do. The Mexican Government has always insisted that foreigners cannot be afforded preferential treatment over its own citizens, thus precluding the payment in cash to foreigners because of the vast sum involved in payments to both foreigners and nationals.

Believing that the informal discussion of agrarian claims²⁵ filed with the General Claims Commission as provided for under the Protocol of April 24, 1934,²⁶ would provide a suitable opportunity for discussing the whole question of agrarian claims with a view to finding some satisfactory basis for indemnifying not only those American citizens whose lands had been taken prior to September 1927 but also those whose lands had been taken subsequently or which might be taken in the future, the Embassy recommended that the discussion of agrarian claims be all inclusive. The Department, however, replied that it did not consider it desirable to include other than the claims filed with the Commission, because of the necessity of prosecuting as expeditiously as possible the work of the General Claims Commission.

Hoping that these discussions might nevertheless provide some basis for the settlement of current agrarian cases, the Ambassador asked the Minister for Foreign Affairs whether the Mexican Government could not be persuaded to discontinue expropriation proceedings affecting American-owned property pending the outcome of the discussions but the Minister replied that the Mexican Government could not restrict its full liberty of action in the vast agrarian program under the Six Year Plan for the restoration of the land to the people and that the most he could do would be to urge the Agrarian Department to extend the full benefit of the period allowed by law in expropriation cases affecting American citizens.

²³ Not reprinted.

²⁴ Simpson's book, entitled *The Ejido; Mexico's Way Out*, was published at Chapel Hill, N. C., 1937.

²⁵ See pp. 753 ff.

²⁶ *Foreign Relations*, 1934, vol. v, p. 470.

The Claims Convention between the United States and Mexico provides only for the consideration of those claims which arose prior to September 1927. If no agreement can be reached with regard to present agrarian cases, I fear that another claims commission will have to be set up before the one now functioning has finished its labors.

I was recently approached by the British Minister as to our policy on agrarian matters. It appears that the British Legation finds its efforts on behalf of its subjects whose lands are expropriated as fruitless as our own and can obtain no satisfaction from the Foreign Office. Inquiry from the Spanish Embassy elicited the information that they were careful not to intervene in agrarian cases affecting their nationals.

From the Embassy's observation there would not appear to be any discrimination against properties held by foreigners nor yet between foreigners. If any favors are shown, it would seem that American citizens appear largely among those favored, considering the vast properties remaining in the hands of American citizens, such as the Hearst million acre ranch in Chihuahua and the Hacienda *Paso del Rio* in Colima, belonging to the heirs of Doctor Ochsner, and others in the border states.

To sum up the situation, the properties of American citizens in Mexico continue to be expropriated under the agrarian laws and it is the announced policy of the present Mexican Government to intensify its agrarian program of breaking up the large estates and dividing the property among the landless peasants. No indemnification is now offered for lands expropriated, although the Department has always insisted that the property of American citizens should not be expropriated without adequate compensation. Since under the Agrarian Code the question of compensation does not arise until after the final presidential decree expropriating the property has actually been issued and published, the only recourse open to the dispossessed landowner is to petition the Federal Government for compensation, and failure to pay within a reasonable time or in a satisfactory medium necessarily results in a claim against the Mexican Government, since no legal recourse is available. In accordance with standing instructions regarding claims, American citizens who consider that they have claims for indemnification against the Mexican Government for lands expropriated are being referred directly to the Department which will have to pass upon the validity of the claim before issuing instructions to this Embassy to take it up with the Mexican Government.

Curiously enough, at the present time there does not appear to be any formal diplomatic claim for actual indemnification now pending but undoubtedly a number of such claims will arise in the very near future, such as in the case of *Las Rucias* and of Doctor M. F. Bauchert's

property and others. The Department will then have to decide what comprises effective and adequate payment and how this is to be determined. It is still hoped that the negotiations now being conducted by Messrs. Baker and Flood in connection with agrarian claims filed with the General Claims Commission will somewhat clear the atmosphere and indicate some basis for the settlement of present and future expropriations of lands of American citizens and avoid the accumulation of claims by American citizens against Mexico with the resultant ill feeling and to the detriment of our good relations with our Southern neighbor.

Respectfully yours,

R. HENRY NORWEB

812.5200/944

The Ambassador in Mexico (Daniels) to the Secretary of State

No. 2899

MEXICO, September 19, 1935.

[Received September 25.]

SIR: I have the honor to refer to the Department's instructions numbers 861 of September 11 and 819 of August 3²⁷ in regard to the Mexican agrarian policy.

Pursuant to these instructions, I called on the Acting Minister for Foreign Affairs²⁸ this morning and began the conversation by referring to my representations last February to Mr. Portes Gil, then Foreign Minister, when he had informed me that his government had issued all the agrarian bonds authorized by Congress and that inasmuch as Congress was not then in session and since no provision had been made in the budget, it was not possible for the government to give any compensation for lands expropriated under the agrarian law. However, Mr. Portes Gil had said, and had later confirmed it in writing, that the Minister of Hacienda was making a study of the country's financial obligations with a view to providing for them in the next year's budget and that the question of the agrarian bonds was included in this study. I pointed out to Mr. Cenicerros that Congress is now in session and that it seemed only right that some action should now be taken to provide for the compensation of American citizens whose lands had been and were now being expropriated and strongly urged that no more lands be taken from American citizens until adequate provision had been made to pay for them.

Mr. Cenicerros said he would take up the matter with the President at their next meeting on Tuesday, September 24th, when he promised to go into the whole subject thoroughly and would also ask the President's

²⁷ Neither printed.

²⁸ José Angel Cenicerros.

permission to discuss the matter with the Chief of the Agrarian Department.

I emphasized the fact that interest and amortization payments on agrarian bonds had been in default for several years and since these bonds were no longer accepted in payment of certain taxes they were now of little or no value. I expressed the hope that he and the President could make some arrangement which would be satisfactory to both our governments and asked him if he thoroughly understood the position of the American Government as I had presented it to him. He replied that he did and would discuss the matter at length with the President.

On returning to the Embassy I decided to make doubly sure that my representations were thoroughly understood, so wrote a letter to the Acting Minister confirming my conversation with him. A copy of my letter is attached hereto.

Respectfully yours,

JOSEPHUS DANIELS

[Enclosure]

*The American Ambassador (Daniels) to the Mexican Acting Minister
for Foreign Affairs (Ceniceros)*

MEXICO, September 19, 1935.

DEAR MR. MINISTER: In response to your inquiry this morning as to the date of my talk with Mr. Portes Gil, I find it was on February 11th. The Minister told me then that the authorization of bonds covered only a limited amount and this had been exhausted and that new action by Congress would be necessary before any additional bonds could be issued or paid.

In that conversation I pointed out to the Minister that it was the expectation of my government that payment of defaulted interest would be made on agrarian bonds and that it would be arranged that prompt payment would be made for property taken for which no bonds or adequate payment in cash had been provided.

In a letter under date of February 16th, Mr. Portes Gil informed me that the Ministry of Hacienda was making a study of the different questions relating to the domestic credit of the country, and when that study was completed it would include that referring to the agrarian bonds and the payment of corresponding interest. Later I urged, as I told you this morning, that no more land of Americans be taken until Congress made authorization for the payment for same.

Inasmuch as Congress is now in session I wish to press the former suggestions that no land belonging to Americans be dotated until

provision is made for the payment for such land and that payment for land heretofore donated, belonging to Americans, be provided.

I thank you for saying you would discuss my representation with the President at your conference with him on Tuesday. I am sure he will wish to arrange for just compensation.

With sentiments of esteem [etc.]

JOSEPHUS DANIELS

812.5200/944

The Secretary of State to the Ambassador in Mexico (Daniels)

No. 888

WASHINGTON, September 28, 1935.

SIR: The receipt is acknowledged of your despatch No. 2899 of September 19, 1935, reporting your conversation with the Acting Secretary of Foreign Relations relative to the taking of American-owned lands for agrarian purposes.

It is noted that, both in your conversation with Mr. Cenicerros and in the letter which you subsequently addressed to him, you emphasized the necessity of providing adequate and effective compensation for lands already expropriated from United States citizens and urged that pending provision for such compensation the Mexican Government desist from further takings of American-owned lands.

Your action in this respect is commended and the Department depends upon you to keep the matter actively before the Mexican Government until a satisfactory outcome has been assured.

Very truly yours,

CORDELL HULL

812.5200/947

The Ambassador in Mexico (Daniels) to the Secretary of State

No. 2963

MEXICO, October 10, 1935.

[Received October 16.]

SIR: Referring to my despatch No. 2942 of October 3, 1935,²⁹ concerning the non-payment by the Mexican Government of compensation for lands expropriated from American citizens, I have the honor to report that, in a conversation which the Counselor of this Embassy had this morning with the Acting Minister for Foreign Affairs, Mr. Cenicerros said that President Cárdenas was very much concerned over the insistence of my representations that adequate compensation be paid for all lands expropriated under the agrarian laws from American citizens.

²⁹ Not printed.

Mr. Cenicerros said that it was manifestly impossible for the Mexican Government to give cash or bonds for lands expropriated, all surplus in the Treasury having been earmarked for other purposes, and the Government could not give out bonds in the enormous amount that would be necessary to reimburse all persons for lands that had been, and might be in the future, expropriated from them. If compensation were given to American citizens, the Mexican Government would be obliged to pay all other foreigners and Mexican citizens as well. Mr. Cenicerros said that the Agrarian Department had been directed to prepare a statement showing the values of all lands already expropriated from American citizens for which bonds had not been offered and accepted and a statement showing the value of lands belonging to American citizens against which petitions for *ejidos* had been filed but which had not yet been expropriated.

However, as the Department fully realizes, the administration of President Cárdenas is so definitely committed to the distribution of land to the peasants that it is politically impossible for it abruptly to reverse this policy. There is no money to pay compensation and the President is convinced that the Congress would not vote the credits even were it possible to devise some means of providing security for a further issue of agrarian bonds. Under the circumstances, I feel that any arrangement which protects American citizens from further expropriations, even though it is but a temporary expedient, is well worth seizing in the hopes that a more opportune time may present itself in the future for the urging of a more rational land policy in which public lands and those already taken may be fully utilized before more private property is taken. . . . Although the Department will have to give consideration to finding some solution to the question of compensation for lands already expropriated, such as the setting up of a new Claims Commission or including these claims in the protocol on agrarian claims now under discussion with the Mexican Government and which now includes only those accruing before September, 1923 [1927], still, the temporary removal of the principal cause of friction in the friendly relations between the two Governments is well worth striving for, and later, as I have said, conditions may be more favorable for a definite settlement of this dangerously contentious problem.

I shall continue to press the matter with the Foreign Office . . .

Respectfully yours,

JOSEPHUS DANIELS

812.5200/947

The Secretary of State to the Ambassador in Mexico (Daniels)

WASHINGTON, October 23, 1935.

SIR: I have received and read with much interest your strictly confidential despatch No. 2942 of October 3, 1935,³⁰ reporting a conversation with the Acting Secretary of Foreign Relations of Mexico relative to expropriations of American-owned lands in Mexico under the so-called agrarian laws of that country.

The Department is gratified to learn of the suggestion made by Dr. Cenicerros that his Government might be disposed to refrain from further seizures of such lands without prompt payment of adequate compensation therefor. While the Department concurs in your view that such an undertaking would, for the several reasons enumerated in your despatch, probably fail to provide definite and permanent assurances of future security for American owners whose lands have not yet been affected by expropriation proceedings, it also shares your opinion that a commitment of the nature referred to, even if informally and confidentially given, would contribute in no small degree to the mitigation of a continuous cause of friction between the two countries. It is, therefore, hoped that you will be able to exert your influence and efforts to encourage the Mexican authorities to adopt this suggestion, which, it may be observed, would appear to involve no recognition of rights of United States citizens in excess of those guaranteed by the second paragraph of Article 27 of the Constitution of Mexico,³¹ which stipulates that "Private property shall not be expropriated except for reasons of public utility and subject to payment of indemnity".

It is understood, of course, that the proposed exemption of American citizens from future expropriations could not be conditioned upon any undertaking on the part of the Government of the United States to acquiesce, either tacitly or otherwise, in the failure of the Mexican Government to compensate those American citizens whose lands have already been taken.

Very truly yours,

CORDELL HULL

812.52/1951

The Ambassador in Mexico (Daniels) to the Secretary of State

No. 3067

MEXICO, November 22, 1935.

[Received November 26.]

SIR: I have the honor to inform the Department that I called upon Mr. Cenicerros, the Acting Minister for Foreign Affairs, yesterday

³⁰ Not printed.³¹ *Foreign Relations*, 1917, pp. 951, 955.

evening and again discussed with him the agrarian question. I first showed him the letter recently received from the Agrarian Department, a copy of which was forwarded to the Department in my despatch No. 3066 of November 21, 1935,³² in which it was stated (in translation) that "Since no regulations now exist providing indemnization for *ejidal* expropriations, it is not now possible to give you the information which you request concerning the compensation which may be received by Mr. J. A. Cunningham for the lands expropriated from his ranch".

As soon as Mr. Cenicerros had read this letter, I handed him a translation of the paragraph of President Cárdenas' interview as reported in the late edition of the *New York Times* of October 24, in which President Cárdenas is reported as having stated: "I wish emphatically to repeat these assurances and at the same time to deny roundly that my Government has any intention of pursuing a policy of property confiscation, either of agricultural or industrial properties. The land taken in connection with the Government's land parcelling program today is being paid a just valuation in Government bonds, which the present condition of the budget and national treasury render entirely sound, especially in view of the declared intention of my Government to meet the indebtedness".

I then asked Mr. Cenicerros how he could reconcile these two statements.

Mr. Cenicerros replied that he fully realized the seriousness of the agrarian problem as it affected American citizens and that President Cárdenas was giving the matter careful thought. He said that Ambassador Nájera, recently arrived from Washington, had already discussed the subject with President Cárdenas and had emphasized what he himself had already told the President, that the American Government viewed the continued expropriation of lands from American citizens without compensation with great concern, and urged that a satisfactory solution to this problem be found as soon as possible.

Mr. Cenicerros told me that the question of compensating American citizens for lands taken from them under the agrarian laws had been removed from the Agrarian Department by President Cárdenas, who had instructed himself and Mr. Suárez, Minister of Hacienda, to study the question and to draw up a plan that would be satisfactory to the American Government. Mr. Cenicerros very earnestly asked that the American Government refrain from pressing the matter further until after the New Year, which after all was only five weeks off, because he strongly believed that by that time, early in the new year, President Cárdenas would be ready to make a proposal which he believed would be satisfactory to the American Government.

³² Not printed.

Referring to the letter from the Agrarian Department and to the President's interview as reported in the *New York Times* . . . Mr. Cenicerós . . . asked that we accept President Cárdenas' statement rather than the letter from the Agrarian Department as reflecting the true policy of the Mexican Government.

In view of this conversation with the Acting Minister for Foreign Affairs, in which he spoke with evident sincerity and much earnestness, I believe that it would be as well for us to refrain from making further representations on this subject until after the New Year, so as to enable President Cárdenas to draw up his plan to cover the troublesome question as a whole and not on the basis of a few individual cases such as we now have pending with the Foreign Office.

Respectfully yours,

JOSEPHUS DANIELS

ATTITUDE OF THE GOVERNMENT OF THE UNITED STATES WITH RESPECT TO THE RELIGIOUS SITUATION IN MEXICO ³³

812.404/1775a

Press Release Issued by the Department of State, October 17, 1934

Criticisms of Ambassador Daniels because of implications drawn from a speech he made last July have been noted at the Department and were brought to Ambassador Daniels' attention. This morning on the telephone the Under Secretary of State spoke to Ambassador Daniels of articles in the morning press. Ambassador Daniels informed him that on July 26 he had made an address to members of the Seminar, all Americans, at the Embassy in Mexico City. Ambassador Daniels said:

"The address I made to the members of the Seminar was exactly the type of address I had made in the United States expressing appreciation of the attitude of Mexico in recognizing the great work of Horace Mann ³⁴ and quoting General Calles ³⁵ as favoring the education of children. I was never more surprised than when I learned that any interpretation could be given my address as relating even remotely to controversial matters in Mexico. I truly believe the future of Mexico depends upon an educated population, just as I believe that foundation to be essential in my country and in all countries. The hope is universal education and in no country has this been provided except by general taxation.

"I profoundly believe in the principles of our country with reference to public schools, the freedom of religion and the freedom of the press."

³³ For previous correspondence regarding the religious situation in Mexico, see *Foreign Relations*, 1929, vol. III, pp. 479 ff.

³⁴ Horace Mann, after a successful career as a lawyer and legislator, became, in 1837, secretary of the Massachusetts State Board of Education. In this position he effected a reform in the public schools which spread beyond that state and produced a revival of the common school system of the United States.

³⁵ Plutarco Elías Calles, President of Mexico 1924-28.

812.404/13071

Memorandum by the Under Secretary of State (Phillips)

[WASHINGTON,] October 27, 1934.

I called up Father Burke³⁶ and gave him over the telephone the substance of this message³⁷ which the President authorized me to give him yesterday. I emphasized how anxious we were to take no step in Mexico which might strengthen the Mexican attack on religion; that our failure must not be taken as indifference to the critical situation there, but solely because of our anxiety not to make things worse. I felt sure that Father Burke would agree with me that if our Ambassador made a further statement at this moment it would give the Mexican authorities the impetus to act even more peremptorily. Father Burke fully agreed; said that he appreciated the situation and understood our position; the trouble was, he said, that the man on the street would not be able to understand it. He mentioned that a public meeting would take place in Baltimore tomorrow, and that harsh things might be said, presumably against the Department. Father Burke, however, indicated that he understood our position and could not really expect us to request Mr. Daniels for a further statement.

W[ILLIAM] P[HILLIPS]

812.404/1775a

Memorandum by the Department of State

In response to many communications recently received by the Department of State from members of Congress and others concerning the American Ambassador to Mexico and the reported anti-religious policies of the Mexican Government, the Secretary of State has replied as follows:

So far as I am aware, protests regarding Ambassador Daniels resulted from an address made by him in Mexico City on July 26, 1934. It is my feeling, however, that these protests are due to misinterpretations of Ambassador Daniels' remarks. He has, I think, made it abundantly clear in his reply to criticisms of his speech, that there was not the slightest intention on his part of expressing any opinion on controversial matters in Mexico. I am enclosing, for your information, a copy of the Department's press release of October 17, 1934, which contains Ambassador Daniels' statement to this effect.

³⁶ John J. Burke, general secretary of the National Catholic Welfare Council, Washington, D. C.

³⁷ The attached message reads as follows:

"Mr. Daniels has made it clear that, in his speech, he was referring merely to general improvement in education in Mexico. If he should say more now, it would possibly strengthen the Mexican attack on religion, which is the last thing that we want to do."

I may add that, notwithstanding the altogether definite policies and views on the subject obtaining in this country, I know you understand that other nations are recognized as being entitled to regulate for themselves their internal religious conditions in such manner as they may deem proper and that, accordingly, it is not within the province of this Government to intervene in the situation in Mexico to which your correspondents refer.

A copy of the Department's press release of October 17, 1934, mentioned above, is attached hereto.³⁸

WASHINGTON, January 19, 1935.

812.404/1674

The Ambassador in Mexico (Daniels) to the Secretary of State

MEXICO, January 22, 1935.

DEAR MR. SECRETARY: In view of a resolution offered by Congressman Higgins,³⁹ and the publication of certain statements in some Catholic journals which have been misled and have misled him, I wish you to know that the publications representing me as having given an interview of high praise of General Calles, of approving even inferentially any educational or religious policy of the government, or of making any statement in regard to any public official or official action by the Government of Mexico, are without foundation. I gave no interview or made any of the statements attributed to me.

The only views to which I have given expression are contained in the only two addresses I have made since my return from the United States last June:

1. The first was on July 26, 1934, when I was speaking to Americans who were here attending the annual summer Seminar. That address was forwarded to the State Department in the regular pouch of that week. The criticisms in American papers were based on an extract in the speech where I quoted General Calles' declaration in favor of universal education. It seems that in another part of his speech General Calles criticized the clergy. At the time I made my address I had not read the full text of the address by General Calles and did not know it contained any reference to the church or the clergy. I had only seen the extract incorporated in my address. I quoted him along with Thomas Jefferson and Horace Mann as believing that the education of all the people was of primary importance. At that time I had heard no intimation of the amendment to the Constitution providing for "socialistic education", which was ratified in December. Therefore, I could not have made any reference to a plan of which I

³⁸ *Ante*, p. 782.

³⁹ John P. Higgins, Representative from Massachusetts.

had never heard. Some of the critics seem to think I approved in July a policy which was not proposed until the fall. One journal charged me with favoring "atheistic education". My life record of devotion to the Christian faith and defense of the freedom of religion is complete answer to these publications.

2. The only other statements I have made were contained in my Thanksgiving Day address, which was sent to the Department immediately after delivery.

One paper recently printed an article containing the following:

"A few weeks later Mr. Daniels paid a visit of honor to the Mexican Senate on the very day on which by constitutional amendment and by statute it had destroyed the last remnant of his three sacred liberties of education, of religion and of the press; and he escaped the literal violation of Mr. Phillips' injunction by allowing his guest, Senator Reynolds of North Carolina, to pronounce the eulogies."

During his visit here in December, Senator Reynolds, of North Carolina, naturally expressed a desire to attend a session of the Senate. The Minister for Foreign Affairs arranged a date. I accompanied Senator Reynolds to the Senate Chamber. He was presented to the Senate as a member of the United States Senate, and spoke briefly. He touched upon no controversial questions, speaking generally of good neighbor relations and rejoicing in the construction of the great highway which would aid in strengthening the friendly intercourse between the two countries. If "on the very day" we visited the Senate, any legislation as to education was under consideration, I did not know it, and I am sure that the same is true as to Senator Reynolds. Most publications I have seen have no better foundation than the allegations contained in the extract quoted above.

I am sure those critics who have been misled by incorrect publications would withdraw their criticism if familiar with all the facts. You will know the course to pursue, if any, to give the facts to any member of Congress or others who may offer resolutions or make inquiry at the Department. I have never at any time made any remarks inconsistent with my devotion to freedom of religion, freedom of the press, freedom of speech, or universal education.

Sincerely yours,

JOSEPHUS DANIELS

812.404/1509a : Telegram

The Secretary of State to the Ambassador in Mexico (Daniels)

WASHINGTON, February 4, 1935—2 p.m.

24. Borah resolution ⁴⁰ contains allegations that "American citizens of the Christian faiths have been outraged and reviled, their homes

⁴⁰ S. Res. 70, 74th Cong., 1st sess., p. 786.

invaded, their civil rights abridged, and their lives placed in jeopardy" and further that "cruelties and brutalities have accompanied the campaign of the Mexican Government against the profession and practice of religious beliefs by our nationals."

Telegraph immediately whether Embassy has any information tending to substantiate these allegations of mistreatment of or denial of rights to American citizens in Mexico. Should any such information come to your attention in the future you should report it promptly to the Department by telegram instructing all Consuls to do likewise.

HULL

812.404/1510 : Telegram

The Ambassador in Mexico (Daniels) to the Secretary of State

MEXICO, February 4, 1935—5 p.m.

[Received 7:40 p.m.]

20. Referring to Department's telegram No. 24, the Embassy has no information tending to substantiate the allegations mentioned. On the contrary, to the best of the Embassy's knowledge and belief, the Mexican Government has shown consistently every inclination within its laws to afford American citizens and institutions fair treatment in the religious sense. Embassy has reported consistently present religious conflict in detail and instructed the Consuls to do likewise.

DANIELS

812.404/1541

*The Chairman of the Senate Committee on Foreign Relations
(Pittman) to the Secretary of State*

WASHINGTON, February 5, 1935.

MY DEAR MR. SECRETARY: In accordance with the custom of our Committee on Foreign Relations of the United States Senate, I have the honor to enclose to you herewith S. Res. 70, introduced by Senator Borah, for such comments and advice as you may deem proper.

Sincerely,

KEY PITTMAN

[Enclosure]

Senate Resolution 70, 74th Congress, 1st Session

RESOLUTION

Whereas serious antireligious outbreaks have occurred in Mexico under the regime of the National Revolutionary Party now in control of the Government of Mexico; and

Whereas the persecutions of Christians of all faiths now being practiced in Mexico have aroused indignation and protest throughout the civilized world; and

Whereas American citizens of the Christian faiths have been outraged and reviled, their homes invaded, their civil rights abridged, and their lives placed in jeopardy; and

Whereas the vindictive antireligious policy of the present Mexican Government has arbitrarily and unwarrantably restricted the number of ministers, priests, and rabbis, permitted to officiate in some States within the boundaries of Mexico, and has, in other States, entirely forbidden and prohibited the ordinary spiritual ministrations of clergymen of all creeds, thus resulting in the complete denial of the right of the people to practice the religion of their own choosing; and

Whereas it has been the national policy of the Government and the dominant revolutionary party of Mexico to discourage religious profession and obliterate religious worship; and

Whereas the present Mexican Government prohibits the time-honored practice of private religious instruction and education of children and compels parents as an only alternative to ignorance to educate their children in schools teaching hostility to orthodox religion; and

Whereas such antireligious activity in Mexico is contrary to the traditions of freedom of conscience and liberty of religious worship which are the cherished attributes of all civilized government; and

Whereas many distinguished leaders of the Protestant, Jewish, and Catholic faiths as well as outstanding religious and interdenominational organizations and societies have emphatically denounced and registered protest against such policies of the present Government of Mexico; and

Whereas the Government of Mexico has even encouraged an economic boycott against those sincerely professing and practicing the Christian religion; and

Whereas Christians are expelled from public office and driven from professions; and

Whereas Christian residents of Mexico who complain of such intolerance are flagrantly mistreated and abused: Now, therefore, be it

Resolved, That the Senate of the United States deems it fitting and proper to protest the antireligious campaign and practices of the present rulers of Mexico; and that it views with the gravest concern such ruthless persecution of helpless men and women who have become the innocent victims of antireligious persecution; be it further

Resolved, That it strongly condemns the cruelties and brutalities that have accompanied the campaign of the present Mexican Government against the profession and practice of religious beliefs by our nationals of all religious faiths now domiciled in Mexico; be it further

Resolved, That it calls upon the Government of Mexico in the name of humanity to cease denying fundamental and inalienable rights to those of our nationals who may be resident in Mexico regardless of religious convictions; and be it further

Resolved, That the Committee on Foreign Relations of the United States Senate, or a subcommittee thereof, be authorized to conduct hearings and receive such evidence as may be presented relating to religious persecution and antireligious compulsion and agitation in Mexico for the purpose of determining the policy of the United States in reference to this vital problem and in what way we may best serve the cause of tolerance and religious freedom.

For the purposes of this resolution the committee, or any duly authorized subcommittee thereof, is authorized to hold such hearings, to sit and act at such times and places during the sessions and recesses of the Senate in the Seventy-fourth Congress, to employ such clerical and other assistants, to require by subpoena or otherwise the attendance of such witnesses and the production of such books, papers, and documents, to administer such oaths, to take such testimony, and to make such expenditures, as it deems advisable. The cost of stenographic services to report such hearings shall not be in excess of 25 cents per hundred words. The expenses of the committee, which shall not exceed \$10,000, shall be paid from the contingent fund of the Senate upon vouchers approved by the chairman.

812.404/1560

The Chief of the Division of Mexican Affairs (Reed) to the Assistant Secretary of State (Moore)

[WASHINGTON,] February 6, 1935.

DEAR MR. MOORE: Reference is made to recent newspaper despatches, attributing to Senator Borah a statement that thousands of religious refugees have entered the United States from Mexico.

The Chief of the Visa Division of the Department, who was consulted on the subject, advises me in a memorandum dated February 6, 1935, to the following effect:

"Word has been received from Mr. Wixon, of the Department of Labor, that all the replies are in to his telegraphic inquiries (sent following our inquiries) to the three border District Directors asking for the number of persons admitted during the past thirteen months who have sought refuge in the United States from Mexico because of the religious situation in the latter country.

"The complete figures covering the whole border for the thirteen month period are as follows:

Clergy	110
Nuns	24
Catholic teachers	10
Members of the laity	30
Total	174

"When asked whether these persons had been admitted temporarily or for permanent residence, Mr. Wixon replied that he had no definite information on this point, but assumed that they were all admitted temporarily by the border immigration officials."

EDWARD L. REED

812.404/1524

*Senator McAdoo*⁴¹ to the Secretary of State

[WASHINGTON,] February 7, 1935.

DEAR MR. SECRETARY: I enclose a copy of Senator Borah's resolution S. 70⁴² concerning "Anti-religious Outbreaks in Mexico, etc."

Will you kindly give me your views about the passage of this resolution? You may do so in confidence or not as you like.

I have had a great many telegrams from my constituents about it and I am anxious to know the attitude of the Department.

Cordially yours,

W. G. McADOO

812.404/1541

The Secretary of State to the Chairman of the Senate Committee on Foreign Relations (Pittman)

WASHINGTON, February 12, 1935.

MY DEAR SENATOR PITTMAN: I am in receipt of your letter of February 5, 1935, requesting my views regarding S. Res. 70, introduced by Senator Borah on January 30, 1935, with respect to alleged anti-religious activities in Mexico under the Government of that country.

The Resolution, if passed, would authorize the Committee on Foreign Relations, or a subcommittee thereof, to conduct hearings and receive evidence, relating to the matter mentioned, for the purpose of "determining the policy of the United States in reference to this vital problem and in what way we may best serve the cause of tolerance

⁴¹ William Gibbs McAdoo, Senator from California.

⁴² *Ante*, p. 786.

and religious freedom"; and, nevertheless, if the Resolution should be adopted, as drafted, it would place the Senate in the position of having rendered judgment in advance of hearing evidence. It declares, for example:

(1) that "the Senate of the United States deems it fitting and proper to protest the antireligious campaign and practices of the present rulers of Mexico; and that it views with the gravest concern such ruthless persecution of helpless men and women who have become the innocent victims of antireligious persecution";

(2) that the Senate "strongly condemns the cruelties and brutalities that have accompanied the campaign of the present Mexican Government against the profession and practice of religious beliefs";

(3) that it calls upon the Government of Mexico "to cease denying fundamental and inalienable rights to those of our nationals who may be resident in Mexico regardless of religious convictions".

Nothing can be clearer than that these statements, if promulgated by the Senate, would constitute an unreserved premature indictment of a friendly neighboring Government which, in my opinion, would be most unwise from every point of view.

The Resolution, as set forth in the third paragraph on page 3, has for its purpose "determining the policy of the United States" with respect to the "cause of tolerance and religious freedom", and this without a participation by the House of Representatives or the President. Aside from the constitutional question whether the passage of the Resolution would not be an encroachment upon the prerogatives of the Executive with respect to the conduct of our foreign relations, and at least certainly tend to discredit the executive authority, it is subject to other serious objections.

It is fundamental that sovereign States have the right to control the internal order of their affairs in such manner as they deem to be to their best interests, free from unwarranted interference by other powers. While we should always be ready to protect American citizens in the enjoyment in foreign territory of rights which they may have under the laws of a foreign State, under treaties, or under the law of nations, it is not permissible for us to undertake to dictate to foreign governments their national policies on matters conceded to be within their domestic jurisdiction, although this Government, adhering as it does to the broad principle of freedom of thought and religious belief, is naturally desirous of seeing its citizens enjoy in other countries freedom from restrictions or disabilities in this respect. The subject just indicated has been before this Government from time to time in the past in connection with a variety of complaints and requests, and the records of this Department disclose a general consistent policy of non-interposition, except for the purpose of securing to American citizens the benefits of treaty rights or of rights conferred

by the laws of the country in question. For example, Secretary of State Buchanan stated on October 22, 1845,⁴³ in regard to a complaint with reference to alleged acts of Sardinia, that:

"... It is our glory that all men within the United States enjoy the inestimable right of worshipping God according to the dictates of their own conscience. In Sardinia, however, the case is unhappily far different. There they have a state religion and a strict censorship of the press; and they exclude all books of every kind, except such as are in accordance with their own faith and principles. They have their system and we have ours; and it has ever been the policy of this Government not to interfere with the internal regulations of foreign governments, more especially in questions of religion."

On June 2, 1875, Secretary Fish stated,⁴⁴ with reference to complaints concerning the situation then existing in Austria, that the rights of American nationals with respect to religious questions were, in the absence of treaty provision, to be determined in accordance with the local law, and that:

"It is a delicate task for this Government to assume to enter upon an examination of a question depending solely on foreign law, and to express to the Government of Austria-Hungary the opinion that its authorities have improperly or unfairly refused what is claimed merely as a privilege pursuant to its laws."

Secretary Day, in speaking on June 3, 1898,⁴⁵ of a request that instructions be sent to representatives of this Government in South America with a view to securing (1) religious liberty for missionaries working in States of South America, and (2) religious liberty for native Christians who dissented from the Roman Catholic faith, stated:

"The standing instructions of the Department to the representatives in that quarter, supplemented by special instructions from time to time as cases arise, have been directed to securing for American citizens the same right to pursue their vocation of preaching and teaching, if such practices are lawful in the country of their residence, as any other American professional men or merchants have to pursue their calling. On the whole, the success of the efforts of our diplomatic and consular officers in this direction has been gratifying.

"As respects your second point, the Department would overstep a long-established rule were it to instruct its ministers abroad regarding the civil and religious rights of citizens of the countries where they reside."

It will be seen that the statement by Secretary Day that American representatives were under instructions to secure for American citizens the right to pursue their vocation of "preaching and teaching"

⁴³ John Bassett Moore, *A Digest of International Law*, vol. II, p. 171.

⁴⁴ *Ibid.*, p. 174.

⁴⁵ *Ibid.*, pp. 178-179.

was qualified by the further statement, "if such practices are lawful in the country of their residence".

Interference with the domestic affairs of a foreign government through inquisitorial or other process, in the absence of a very definite showing that the nationals of the complaining government are being denied rights to which they are entitled by law, cannot but have a detrimental effect on the relations between States, frequently with results contrary to those sought to be attained. "The great communities of the world", said Secretary of State Webster in an instruction of January 29, 1842,⁴⁶ to Minister Everett,

"are regarded as wholly independent, each entitled to maintain its own system of law and government, while all in their mutual intercourse are understood to submit to the established rules and principles governing such intercourse. And the perfecting of this system of communication among nations, requires the strictest application of the doctrine of nonintervention of any with the domestic concerns of others."

In this connection it may be pertinent to recall the statement of former President Theodore Roosevelt in his annual message to Congress of December 6, 1904,⁴⁷ that:

"... Ordinarily it is very much wiser and more useful for us to concern ourselves with striving for our own moral and material betterment here at home than to concern ourselves with trying to better the condition of things in other nations. We have plenty of sins of our own to war against, and under ordinary circumstances we can do more for the general uplifting of humanity by striving with heart and soul to put a stop to civic corruption, to brutal lawlessness and violent race prejudices here at home than by passing resolutions about wrongdoing elsewhere."

While we are naturally solicitous of the right of American citizens to give expression in a proper manner to their religious beliefs wherever they may be, we, of course, can no more insist upon a privilege in this respect, if contrary to local law, than we can insist upon their right to practice a profession, or to carry on a business that is declared by that law to be contrary to the policy of the State. There can be no doubt whatever that the abandonment of the policy insisted on by the statesmen who have been quoted could have no other effect than to embroil our Government in endless international disputes and hostilities.

The right to worship freely, to conduct services within their houses, or within appropriate buildings maintained for that purpose, is conferred by a number of our treaties with other countries. There is, however, no such provision in any existing treaty between the United

⁴⁶ Moore, *Digest*, vol. VI, pp. 15-16.

⁴⁷ *Foreign Relations*, 1904, pp. IX, XLII.

States and Mexico. Any complaint, therefore, as to the treatment that may be accorded American nationals in Mexico must be based upon some violation by the Government of that country of its municipal law or some principle of international law.

Relative to the allegation of facts, it is extremely significant that, regardless of what has or has not occurred in Mexico, there has not been brought to the attention of this Department by anyone either within or without the Senate, during the past year, a single case wherein it has even been suggested that an American citizen has "been outraged and reviled" or his home "invaded" or his "civil rights abridged" or his life "placed in jeopardy", as charged in the third paragraph of S. Res. 70, nor has the Department received complaint from any such citizen that he has been the victim of cruelties or brutalities at the hands of the Mexican Government in its alleged campaign against the practice of religious beliefs, as charged in another paragraph of the resolution. If a case of that character were brought to the attention of the Department, it would be investigated immediately, and appropriate action taken. It seems inconceivable that the Senate will assume the existence of a condition which may not actually exist, or anticipate what may be future possibilities.

It is not intended by the foregoing to suggest that this Government should in any wise condone or acquiesce in any act of another Government which has, or would have, the effect of circumscribing complete religious liberty by American citizens or denying to them rights which they should, in our opinion, be permitted to exercise. I might even go further by saying that we feel that privileges which inhabitants of this country are allowed under our laws should be allowed our citizens in other countries. I am merely endeavoring to point out that there is a distinction between what we think should be the situation and what we are in a position to demand. While entertaining these views, we are limited to a consideration of any concrete cases that may arise in which our own nationals are involved and in which it is shown that a legal right has been violated. We cannot on general grounds undertake to change or regulate the domestic policy of a foreign State to conform to our Constitution or our conceptions of religious freedom. Such action would only meet with resentment in the foreign country.

Finally, it is my conviction that the action proposed by the resolution could serve no purpose other than to offend the Mexican Government and prejudice the disposition of several important matters now in process of settlement and other important matters that require for their settlement the maintenance of amicable relations between the two countries which today, I may assure you, are far more satisfactory than they have sometimes heretofore been.

Sincerely yours,

CORDELL HULL

812.404/1524

The Secretary of State to Senator McAdoo

WASHINGTON, February 12, 1935.

MY DEAR SENATOR McADOO: Since receiving your note of the 7th instant, I have been considering the Resolution mentioned, and have reached the definite conclusion that its passage would be highly undesirable. Without now discussing it in detail, as I suppose I may have to do in compliance with the request of the Senate Committee on Foreign Relations, I may briefly indicate the following as among the objections to what it proposes:

1. On what may be an unwarranted assumption of facts, it undertakes to condemn and indict another nation.

2. If American citizens have not been discriminated against in the application of the Mexican laws, it would put our government in the position of claiming the right to say what the laws of another country should be in controlling its internal affairs, and

3. It would seem to infringe the authority of the Executive by a declaration of foreign policy.

I need hardly tell you that I regret that all nations do not take the same view as that we entertain of the right of people to enjoy freedom of religious opinion and worship, but you and I of course realize that it is impossible for us to have our way about this matter.

Since I desire for manifest reasons as far as possible to avoid engaging in a public discussion of the Resolution, I will ask you to regard this letter as confidential.

With best wishes [etc.]

CORDELL HULL

812.404/1604

Memorandum by the Secretary of State

[WASHINGTON,] March 5, 1935.

The Ambassador ⁴⁸ during his call this morning inquired what was going in connection with the Borah Resolution. I replied that the matter of the Resolution, of course, was still pending before the Committee on Foreign Relations and consideration was being postponed from week to week. This was the occasion for several minutes of comment by both the Ambassador and myself touching the Catholic situation in both Mexico and the United States. I stated that this conversation between us was individual and informal and such as could only occur between genuine friends and in a spirit of like friendship. I then stated to the Ambassador that the position of this Government had been defined in more than one communication and

⁴⁸ Francisco Castillo Nájera, Mexican Ambassador.

in the most positive and unequivocal language, to the effect that as a general principle this Government had no authority to interfere with the domestic affairs of another nation.

The Ambassador said he knew that this was the attitude of the State Department and that he had in the most definite language possible so kept his Government advised. He added that exaggerated reports from time to time in some of the Mexican press in regard to a resolution of some state legislature in this country, such as Illinois or New York, was giving his Government concern and that he, the Ambassador, had been called upon to make that fact known to the United States Government; and he finally added that he had gone to considerable pains to explain to his Government that such utterances were not of paramount importance from any standpoint; that above everything else the Government of the United States had no control over actions or utterances of other separate and independent governmental agencies, much less over individuals or groups of individuals in this country. I promptly concurred in the soundness of this view which he had conveyed to his Government and emphasized that in this country, where the fullest freedom of speech in the press and as to religion existed, there was no possible way under the Constitution for the Executive branch of the Government in the slightest degree to curb, much less suppress, even vociferous and violent outbursts on the part of its individuals and organizations. I then added that I was naturally the target of terrific denunciation on the part of Catholics in this country who had been violently contending for and insisting upon some kind of attempted interference in the reported Mexican and Catholic situation; that I trusted, therefore, and I felt sure such would be the case, that his Government would in every way consistent with the normal and natural course of its domestic programs and policies give thought and attention to the question of avoiding or minimizing any utterances or actions in Mexico which were calculated to feed the agitation and violent utterances that were taking place in the United States on account of supposed occurrences between official authorities of Mexico and Catholics in Mexico. I then stated that in view of the nature of the charges of mistreatment if fullest possible publicity could be given to the true facts, especially where American nationals were involved, such information would be quite valuable in this country and to this Government in its efforts to quiet and allay unfortunate and violent criticisms of the Mexican Government by individuals and groups here. I was very particular to say that I offered no suggestions of any kind, and much less, in the remotest sense, had any disposition to refer either pro or con to Mexican domestic policies or practices.

The Ambassador in the friendliest and most wholehearted way indicated his entire understanding of my motives and purposes, and expressed himself as in perfect harmony with the same and disposed in every way to cooperate 100 per cent. He remarked in this connection that, without regard to the merits or demerits, he deplored very much the situation that involved Catholics in this country and the Government and some of the people in his country. He expressed the hope, if not the opinion, that after a period, perhaps something like two months, the more disagreeable stage would be passed. He then stated that in order that his Government might fully understand all the detailed conditions in this country and especially the very fixed and definite policy of this Government, including its lack of power to suppress local actions and utterances, he contemplated making a trip to Mexico City at an early date for a time just long enough to fully get all phases before his Government.

I expressed my deep appreciation of the broad view that he was taking of the matter and stated that his Government and mine had the same high purpose to promote fuller and more mutually profitable cooperative relations which during the next few years should result in the unparalleled material development of our two countries; that therefore I wanted to leave nothing overlooked that would be calculated to cement and weld together far better understanding and far closer relations of friendship between our peoples than they had experienced within our recollection; and that to this end, speaking further individually, if the Ambassador should see anything occurring in this country which in his judgment was having a direct and hurtful effect upon these relations between our two nations, I hoped he would feel free in a personal and unofficial way to call my attention to the same. This he received in the best of spirit and said that he would be glad to do so. I then added it was in this spirit that I was commenting on the complaints in this country about conditions between the Government of Mexico and some phases of the alleged Catholic situation there.

I finally reiterated to the Ambassador that it was not necessary for me to repeat that I had been and was still doing everything within the scope of my authority to quiet and allay intemperate or violent discussions and criticisms of his Government by groups of our nationals in this country and of course would continue in every legitimate way to do so; that this would apply to any official or unofficial action which might call for unwarranted interference in the domestic affairs of Mexico by this Government; and I finally concluded with the statement that it was in consideration of these primary purposes of mine that I had ventured in this unofficial and individual way to invoke

such cooperative efforts on the part of the Mexican Government as would make my difficult task less difficult and in that way redound to the good of Mexico.

C[ORDELL] H[ULL]

812.404/1600

*The Secretary of State to Representative Lundeen*⁴⁹

WASHINGTON, March 16, 1935.

MY DEAR MR. LUNDEEN: I have received your letter of March 4, 1935,⁵⁰ enclosing a resolution,⁵⁰ regarding the religious situation in Mexico, adopted by the... proposing that Ambassador Daniels be recalled from Mexico and that this Government withdraw its recognition of the Government of Mexico.

Withdrawal of recognition of the Mexican Government would be tantamount to an effort to determine the course to be taken by another nation, and would almost certainly provoke such resentment as to defeat the purpose your correspondents wish to achieve.

The Department has prepared a memorandum statement⁵¹ with regard to the other matters referred to in the resolution and I take pleasure in enclosing a copy for your information.

The enclosure to your communication is herewith returned, as requested.

Sincerely yours,

CORDELL HULL

812.404/1628

*The Secretary of State to Senator Schwellenbach*⁵²

WASHINGTON, March 22, 1935.

MY DEAR SENATOR SCHWELLENBACH: I have received your letter of March 16, 1935,⁵⁰ enclosing a communication addressed to you by... suggesting that this Government invite the Republics of South America to join with the United States in a memorial asking the Government of Mexico to "cease persecuting religion".

Notwithstanding the altogether definite policies and views on the subject obtaining in this country, I know you understand that other nations are recognized as being entitled to regulate for themselves their internal religious conditions in such manner as they may deem

⁴⁹ Ernest Lundeen, Representative from Minnesota.

⁵⁰ Not printed.

⁵¹ Memorandum of January 19, p. 783.

⁵² Lewis B. Schwellenbach, Senator from Washington.

proper and that, accordingly, it is not within the province of this Government to intervene in the situation in Mexico to which your correspondent refers.

If interference by one government in the domestic concerns of another government is likely to be resented by the latter, it would appear that the same result might be expected to ensue from collective interference by a group of foreign governments. It is also apparent that the government taking the initiative in suggesting such joint action would necessarily attract the full force of this resentment, whether the suggestion was or was not accepted by the other governments approached in the matter. Consequently, I do not feel that this Government could, consistently with its earnest desire to promote and maintain the policy of the Good Neighbor in its relations with the countries of this hemisphere, adopt the suggestion of . . . although I am, of course, entirely convinced that in making it he has been actuated by the best of patriotic and altruistic motives.

I should prefer that this letter not be made public at present.

Sincerely yours,

CORDELL HULL

812.404/1637

The Secretary of State to the Governor of Arizona (Moeur)

WASHINGTON, March 26, 1935.

SIR: I have the honor to acknowledge the receipt, by reference from the White House, of your letter of March 13, 1935,⁶⁴ enclosing a copy of House Concurrent Memorial No. 2, Twelfth Legislature, State of Arizona,⁶⁵ praying that the United States Senate adopt a resolution recently introduced by Senator William E. Borah, which would authorize investigation of the Mexican religious situation.

Notwithstanding the altogether definite policies and views on the subject obtaining in this country, I believe it will be understood that other nations are recognized as being entitled to regulate for themselves their internal religious conditions in such manner as they may deem proper and that, accordingly, it is not within the province of this Government to intervene in the situation in Mexico to which reference is made.

I have [etc.]

CORDELL HULL

⁶⁴ Not printed.

⁶⁵ *Acts, Resolutions and Memorials of the Regular Session Twelfth Legislature of the State of Arizona, 1935*, p. 550.

812.404/1646

The Chief of the Division of Mexican Affairs (Reed) to the Assistant Secretary of State (Welles)

[WASHINGTON,] March 27, 1935.

MR. WELLES: As you know, certain persons who are attacking the Administration for its refusal to intervene in the Mexican religious situation have made much of certain incidents in our past relations with foreign countries which they have cited as constituting historical precedents for action by this Government similar to that which they are demanding it should take with respect to Mexico.

Whether or not the cases cited do constitute precedents is probably a matter of opinion. In the Secretary's letter to Senator Pittman concerning the Borah Resolution, a number of cases were cited to prove that intervention of the character suggested was contrary to our established policy. The fact of the matter would seem to be that this Government has not always pursued a consistent policy in the premises.

At present, however, this Government is definitely pledged to a policy of non-interference in its international relationships, and it is formally committed to such a policy as respects the Latin American countries, by Articles 5 and 8 of the Convention Signed at Montevideo on the Rights and Duties of States,⁵⁸ viz.,

Article 5. "The fundamental rights of states are not susceptible of being affected in any manner whatsoever."

Article 8. "No state has the right to intervene in the internal or external affairs of another."

Furthermore, this Government's reservation⁵⁷ to the Convention included the following statement:

"Every observing person must by this time thoroughly understand that under the Roosevelt Administration the United States Government is as much opposed as any other government to interference with the freedom, the sovereignty, or other internal affairs or processes of the governments of other nations."

Mexico has not yet ratified this Convention, but the United States has ratified it and although it is not actually in force between the two countries, there would seem to be no doubt that we are morally bound, at least, to observe the principles which it embraces.

⁵⁸ 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*, p. 165.

⁵⁷ Conference Series No. 19, pp. 169-170.

If the Mexican Congress were in session it might be worth while to suggest informally that Mexico's ratification of the Convention be expedited. Incidentally, the deposit of Mexico's ratification would furnish a suitable occasion for a statement to the press in which the implications of the Convention's provision might be stressed. However, the Mexican Congress is in recess and does not meet until September 1, 1935.

EDWARD L. REED

812.404/1657

*The Secretary of State to the Reverend Peter J. Halpin, S. J.*⁵⁸

WASHINGTON, April 5, 1945.

SIR: In reply to the inquiry contained in your letter of March 27, 1935,⁵⁹ you are informed that there exists between the United States and Mexico no treaty or other form of international agreement by which the Government of Mexico guarantees freedom of worship to citizens of the United States residing or sojourning in Mexico.

Article 15 of the Treaty of 1831,⁶⁰ between the United States and Mexico contained the following provision:

The citizens of the United States of America residing in the United Mexican States shall enjoy in their houses, persons, and properties the protection of the Government, with the most perfect security and liberty of conscience; they shall not be disturbed or molested, in any manner, on account of their religion, so long as they respect the Constitution, the laws, and the established usages of the country where they reside; and they shall also enjoy the privilege of burying the dead in places which now are, or may hereafter be assigned for that purpose; nor shall the funerals or sepulchres of the dead be disturbed in any manner, nor under any pretext.

The citizens of the United Mexican States shall enjoy, throughout all the States and Territories of the United States of America, the same protection; and shall be allowed the free exercise of their religion, in public or in private, either within their own houses, or in the chapels or places of worship set apart for that purpose.

The Treaty of 1831 was abrogated in 1881.⁶¹

On May 27, 1921, the American Chargé d'Affaires in Mexico City, acting under instructions of the Department of State, presented to General Alvaro Obregon, whose Government had not at that time been recognized by the United States, a draft of a Treaty of Amity and Commerce,⁶² the second article of which read as follows:

⁵⁸ Manresa Hall, Port Townsend, Washington.

⁵⁹ Not printed.

⁶⁰ Hunter Miller (ed.), *Treaties and Other International Acts of the United States of America*, vol. 3, p. 599.

⁶¹ *Foreign Relations*, 1881, p. 820.

⁶² *Ibid.*, 1921, vol. II, p. 397.

Article 2. The citizens of each of the High Contracting Parties shall not be disturbed, molested nor annoyed in any manner, on account of their religious belief, nor in the proper exercise of their peculiar worship, either within their own houses or in their own churches or chapels, which they shall be at liberty to build and maintain, in convenient situations, interfering in no way with, but respecting the religion and customs of the country in which they reside.

Citizens of the United States in Mexico shall have and enjoy the rights to engage in religious worship and all other matters appertaining to religion and education, as citizens of Mexico enjoy in the United States.

Neither the proposed Treaty nor the provision cited above was accepted by the Government of Mexico, which was accorded *de jure* recognition by the Government of the United States on September 3, 1923.⁶³

Very truly yours,

For the Secretary of State:
R. WALTON MOORE

812.404/1715

*The Secretary of State to Representative Monaghan*⁶⁴

WASHINGTON, June 8, 1935.

MY DEAR MR. MONAGHAN: I have received your letter of June 5, 1935,⁶⁵ in which you suggest that the American Embassy in Mexico City institute an inquiry relative to the facilities for Divine worship available to American citizens in certain States of Mexico.

In reply, I may say that it is a matter of common knowledge that, while in some of the Mexican States there are facilities for Divine worship available to the inhabitants thereof, in others, where churches have been closed by the State authorities or where, even though the churches remain open, ministers of religion are not allowed to function or are not functioning due to the imposition of regulations with which they feel they can not comply consistently with the rules of their respective church organizations, facilities for public religious worship under the local laws are either non-existent or are strictly limited. However, the information before the Department does not indicate that in any of the Mexican States is there discrimination against citizens of the United States in the application of the laws and regulations pertaining to the exercise of religious worship, such laws being of general application.

Sincerely yours,

CORDELL HULL

⁶³ See *Foreign Relations*, 1923, vol. II, pp. 554-555.

⁶⁴ Joseph P. Monaghan, Representative from Montana.

⁶⁵ Not printed.

812.404/1723

Memorandum by the Secretary of State

[WASHINGTON,] June 20, 1935.

Mr. Pablo Campos-Ortiz, Mexican Chargé d'Affaires, called to say goodbye before going to Holland. I inquired of him about the significance of the recent change of government in Mexico. He said it meant that the Government was going much more to the right than before the recent change; that in his opinion it meant that the religious controversy would be almost entirely quiescent in the future or for an indefinite time.

I expressed my extreme gratification at this and remarked that he, of course, was aware of the very violent and widespread feeling on the part of our twenty million Catholic friends in this country against his Government on account of the church controversy in Mexico; that we had done everything in our power within proper bounds to deal with all phases of this unfortunate and delicate situation; and that, therefore, I desired to repeat with emphasis the great gratification it was to learn that this controversy in Mexico was ending, or at least had ended to a principal extent. I said it meant everything to the mutual cooperation of our two great countries that our respective peoples should maintain friendly feeling and relationship with each other and that I hoped he would emphasize these phases to his Government officials on his return home.

C[ORDELL] H[ULL]

812.404/1737

The Secretary of State to the Chairman of the House Committee on Foreign Affairs (McReynolds)

WASHINGTON, June 28, 1935.

MY DEAR MR. MCREYNOLDS: I have received your letter transmitting a copy of House Resolution 277⁶⁸ introduced by Mr. Citron of Connecticut on June 25, 1935, calling upon me for certain information concerning the Mexican situation.

In response to your request that I furnish you such information as I can, in answer to this Resolution, I am pleased to submit the following replies to the several questions contained therein:

1. Whether citizens of the United States, be they Catholics, Protestants, Jews, or members of any other religion or religious denomination, have been expelled from Mexico because of their religious beliefs.

⁶⁸ Neither printed.

In so far as this Department is informed, no citizen of the United States has been expelled from Mexico because of his religious beliefs.

2. Whether any protests have been filed by American citizens with the said State Department, its officers, or agents because they were expelled from Mexico on account of their religious beliefs and practices.

The Department's files covering the last two years do not contain any record of a protest having been filed with the Department, its officers, or agents by American citizens because of their expulsion from Mexico on account of their religious beliefs and practices.

3. Whether any protests have been filed by American citizens with the said State Department, its officers, or agents because of the denial, hindrance, or suppression of the exercise of their religious practice in Mexico.

The Department's files covering the last two years do not contain any record of protests filed by American citizens resident in Mexico because of the denial, hindrance or suppression of the exercise of their religious practice in Mexico.

4. Whether any protective measures have been taken to assist Americans against any denial, hindrance, or suppression of the exercise of their religious practice in Mexico.

It would seem unnecessary to say that the Department is compelled to recognize the general principle of international law that independent nations are free to regulate for themselves their internal religious conditions in such manner as they may deem proper. If by "protective measures" is meant interference in the domestic concerns of the Mexican Government contrary to the principle stated, this question must be answered in the negative. The case would present a different aspect if there were discrimination against citizens of the United States residing or travelling in Mexico in the application of the laws and regulations pertaining to the exercise of religious worship in that country. The Department, however, has received no evidence of any such discrimination, but on the contrary is informed that such laws and regulations apply equally to citizens of Mexico and nationals of other countries when in that country.

5. Whether the said State Department, its officers, or agents are using their good offices, or have offered the same, to both American citizens and the Mexican Government for the purpose of alleviating the aforesaid wrongful acts and for the purpose of creating better feeling between the citizens of the United States and the Mexican Government.

Attention is invited to the answer to question 6 which may be taken as a reply to the present question in so far as an answer thereto is

regarded as compatible with the public interest. In the opinion of the Department it would be incompatible with the public interest to make a response that would involve a detailed statement.

6. Whether or not the attention of the Mexican Government has been called to such protests and to the fact that many Americans are horrified at the religious persecutions and excesses which threaten the friendly relations between the peoples of both countries at a time when the people of the United States sympathize with and are ready to assist the people of Mexico in their struggle for social and economic betterment.

The attention of representatives of the Mexican Government has been invited to the many protests received by the Department from persons in the United States regarding the restrictions imposed on the exercise of religious worship in the United Mexican States.

Your thoughtfulness in bringing this Resolution so promptly to my attention is greatly appreciated.

Sincerely yours,

CORDELL HULL

812.404/1750

The Ambassador in Mexico (Daniels) to the Secretary of State

MEXICO, July 11, 1935—2 p.m.

[Received 6:15 p.m.]

119. In the course of a conversation with the President yesterday I informed him of the interest of President Roosevelt and the American Government in the Mexican religious situation. He stated that his administration was primarily interested in economical and educational matters and in regard to religion that it intended to observe the religious laws. He did not indicate that he contemplated making any statement regarding religious policy but said that he had heard that several states might adopt a more moderate attitude.

DANIELS

812.404/1780

The Chief of the Division of Mexican Affairs (Reed) to the Mexican Ambassador (Castillo Nájera)

WASHINGTON, August 17, 1935.

MY DEAR MR. AMBASSADOR: I regret that it has not been possible to reply more promptly to your letter of August 8, 1935,⁶⁷ requesting an expression of opinion regarding a communication⁶⁷ dated Lent, 1935, bearing the signature of Leopoldo Ruiz, Archbishop of Morelia,

⁶⁷ Not printed.

Apostolic Delegate to Mexico, a photostatic copy of which you left at the Department some time ago. You also ask that you be advised concerning the nature of the response which could be made in this country to a request of the diplomatic mission of a foreign country that the use of the official services of this Government be denied to persons who are employing them systematically to arouse hostile sentiments toward the government of such foreign country.

Concerning the intentions which may have inspired the statements in the document in question I do not feel that I can properly express an opinion, excepting to say that on its face the appeal which the letter contains appears to be for donations of funds. The word "fight" is used in this connection, but in view of the earlier statement that "the Church has forbidden the shedding of blood and they obey the Church", it would appear that the author of the letter deprecated any resort to force. Without, however, going further into this aspect of the matter, I may assure you that it is always to be regretted that any situation should exist which serves to provoke manifestations even of personal hostility on the part of citizens of the United States or resident aliens against the government of a foreign friendly State.

I infer that your second question relates to the possibility of excluding from the mails of the United States matter of this character. In reply, I may say that it is my understanding that the United States Postal Laws do not penalize the sending through the mails of such matter, even when directed against the policies of the Government of the United States, and I know of no way by which it could be prohibited under existing legislation.

I am [etc.]

EDWARD L. REED

812.404/1782

The Chief of the Division of Mexican Affairs (Reed) to the Mexican Ambassador (Castillo Nájera)

WASHINGTON, September 12, 1935.

MY DEAR MR. AMBASSADOR: I have received your letter of August 23, 1935,⁶⁸ reply to which has been delayed because of my absence from the city, inquiring whether in the circumstances set forth, the competent authorities of the Government of the United States are authorized to exercise censorship over radio addresses.

Informal inquiry concerning this matter has been made of the competent authorities and I am advised that the Federal Communications Commission, which exercises general supervision over broadcasting, has no power of censorship over radio programs.

⁶⁸ Not printed.

As you have doubtless noted, there have been broadcasted a number of radio addresses severely criticizing not only the policies but also officials of the Government of the United States. So far as I am aware, however, no effort is made to censor such programs.

I am [etc.]

EDWARD L. REED

812.404/179½

Memorandum by the Chief of the Division of Mexican Affairs (Reed)

[WASHINGTON,] September 23, 1935.

On July 16, 1935, the President received at the White House a delegation of Congressmen who presented a petition in connection with alleged religious persecutions in Mexico.

At the conclusion of this interview the President authorized the following statement:

"That he is in entire sympathy with all people who make it clear that the American people and Government believe in freedom of religious worship, not only in the United States but also in other nations."

EDWARD L. REED

812.404/1826 : Telegram

The Ambassador in Mexico (Daniels) to the Secretary of State

SALTILLO, December 9, 1935—8 a. m.

[Received 1:50 p.m.]

I had a conference at Monterrey with Mexican Ambassador to Washington who is en route to that city. He stated that on the previous day he had talked 4 hours with President Cardenas and discussed agrarian and church and other important questions. He feels that the situation as to each is in much better condition and he thinks more satisfactory. He will reach Washington about the middle of the week.

DANIELS

REPRESENTATIONS RESPECTING INTERFERENCE WITH RADIO STATIONS IN THE UNITED STATES BY STATIONS IN MEXICO

812.76/189

The Secretary of State to the Ambassador in Mexico (Daniels)

No. 603

WASHINGTON, February 2, 1935.

SIR: The Department is informed by the Federal Communications Commission, in a letter dated January 22, 1935,⁶⁹ that recent reports

⁶⁹ Not printed.

received by the Commission, as well as independent observations made by the Commission's Monitoring Station at Grand Island, Nebraska, make it evident that a very serious problem is developing in relation to interference in the amateur frequency bands 3500-4000 kilocycles, 7000-7300 kilocycles, and 14000-14400 kilocycles, as a result of the operation in these bands of amateur radiotelephone stations in Mexico.

The Commission states that inasmuch as the interference in question is sometimes so severe as to blanket large portions of the frequency bands mentioned, the effectiveness of amateur radio in North America as a whole, and particularly in the United States in which there are approximately 46000 licensed amateur radio operators, is seriously impaired.

Under the provisions of the Washington Radiotelegraph Convention, 1927,⁷⁰ and the General Regulations annexed thereto, to which both the United States of America and Mexico are parties, as well as under the provisions of the Madrid Telecommunication Convention, 1932,⁷¹ and the General Radio Regulations annexed thereto, the frequency bands above mentioned may be used by all classes of amateur stations. The Commission states, however, that because of the large number of stations in the world using these frequency bands, primarily for long distance communications, it has become a general practice in North America for amateur radiotelephone to use the frequency bands 1800-2000 kilocycles, 3900-4000 kilocycles, 14150-14250 kilocycles, 28000-28500 kilocycles, 56000-60000 kilocycles, and 400000-401000 kilocycles. In the United States this practice has been made mandatory under sections 376 and 377 of the Rules and Regulations of the Federal Communications Commission,⁷² which read as follows:

"376. The following bands of frequencies are allocated for use by amateur stations using radiotelephony, type A-3 emission:

1,800 to 2,000 kilocycles	56,000 to 60,000 kilocycles
28,000 to 28,500 kilocycles	400,000 to 401,000 kilocycles

"377. Provided the station shall be operated by a person who holds an amateur operator's license endorsed for class A privileges, an amateur radio station may use radiotelephony, type A-3 emission, in the following additional bands of frequencies:

3,900 to 4,000 kilocycles 14,150 to 14,250 kilocycles."

It is considered that a similar practice in Mexico, restricting amateur radiotelephone to the frequency bands last mentioned and permitting only type A-1 emissions in the frequency bands 3500-3900 kilocycles,

⁷⁰ *Foreign Relations*, 1927, vol. I, p. 288.

⁷¹ *Ibid.*, 1932, vol. I, p. 873.

⁷² U. S. Federal Radio Commission, *Rules and Regulations* (Washington, Government Printing Office, 1934), p. 128.

7000–7300 kilocycles, 14000–14150 kilocycles, and 14250–14400 kilocycles, would be desirable with a view to preserving the effectiveness of the amateur bands and preventing interference conditions in these bands from becoming intolerable.

It is contemplated by the provisions of the conventions referred to above that the contracting Governments shall undertake to aid each other by supplying information concerning means of improving the various services and of preventing or eliminating radio interference. It is requested, therefore, that you bring this matter to the attention of the appropriate authorities of the Mexican Government, and that you ascertain and inform the Department of the attitude of the Mexican Government in this connection.

Very truly yours,

For the Secretary of State:
R. WALTON MOORE

812.76/194

The Secretary of State to the Ambassador in Mexico (Daniels)

No. 607

WASHINGTON, February 6, 1935.

SIR: The Department refers to your despatch No. 2158 of January 22, 1935,⁷³ with enclosures, relating to the complaint on behalf of station KPRC, located in Texas, against serious interference caused by station XENT, Nuevo Laredo, Mexico.

According to the Frequency List published by the Bureau of the International Telecommunication Union, the Bureau was notified on March 19, 1930, of the use of the frequency of 920 kilocycles by the broadcasting station KPRC, Sugarland, Texas, a station owned by the Houston Printing Company and operating with a power of 1 kilowatt in the nighttime and 2.5 kilowatts in the daytime. Apparently the station has recently been operating with a daytime power of 5 kilowatts.

According to the publications of the Bureau above mentioned, the recently completed broadcasting station XENT is owned by Cia. Ind. Universal de Mexico, S. A., and was assigned the frequency of 1115 kilocycles and a power of 150 kilowatts. The Department is informed by the Federal Communications Commission, however, that according to reports from its monitoring stations, XENT was operating recently on 1120 kilocycles and shifted to 910 kilocycles sometime during December 1934 or January 1935.

In Article 5, Section 16, of the General Radio Regulations annexed to the Washington Radiotelegraph Convention, 1927, in force be-

⁷³ Not printed.

tween the United States of America and Mexico, it is provided as follows:

"§ 16. (1) The frequencies assigned by Administrations to all new fixed land or radio broadcasting stations which they may have authorized or of which they may have undertaken the installation must be chosen in such a manner as to prevent so far as practicable interference with international services carried on by existing stations the frequencies of which have already been notified to the International Bureau. In the case of a change of the frequency of an existing fixed land or broadcasting station, the new frequency assigned to this station must comply with the above conditions."

It is requested that you bring this matter to the attention of the appropriate authorities of the Mexican Government, in order that steps may be taken to eliminate so far as practicable the interference in question.

Very truly yours,

For the Secretary of State:
R. WALTON MOORE

812.76/207

The Ambassador in Mexico (Daniels) to the Secretary of State

No. 2401

MEXICO, March 29, 1935.

[Received April 2.]

SIR: With reference to the Department's instruction number 607 of February 6, 1935, with regard to interference between the radio broadcasting stations KPRC in Texas and XENT in Nuevo Laredo, Mexico, I have the honor to report that the Radio Communications Section of the Ministry of Communications has replied to the Embassy's representations in this matter, that the frequency of Station XENT has been permanently changed from 1115 kilocycles to 910 kilocycles and that the Bureau of the International Telecommunication Union has been so notified. The Chief of the Radio Communications Section declined to be impressed with any arguments as to the serious interference caused American stations by this change in authorized frequency. Mr. Galindo, Chief of the Section, pointed out that there is a spread of 10 kilocycles between XENT and KPRC, which should be sufficient, and said furthermore that he had notified the Mexican station to adhere strictly to this new frequency.

As having some bearing on the difficulties encountered by the Embassy in this case, it has been reported that the powerful station XENT at Nuevo Laredo is frequently hooked up with the broadcasting station XEO, owned and operated by the National Revolutionary Party, the dominant force in Mexican politics today.

Respectfully yours,

JOSEPHUS DANIELS

812.76/213

The Ambassador in Mexico (Daniels) to the Secretary of State

No. 2441

MEXICO, April 10, 1935.

[Received April 17.]

SIR: With reference to the Department's instruction number 603 of February 2, 1935 (file 812.76/189), I have the honor to transmit herewith a copy of a communication⁷⁴ received from the Foreign Minister in which he transmits a table showing the distribution of amateur frequency bands in Mexico for radio-telephony and radio-telegraphy. He adds that these changes have been made in conformity with the practice now being followed in the United States.

I am likewise enclosing a copy of a notification⁷⁴ which is being sent to all amateurs in Mexico, advising them of these changes.

The modifications have aroused much bitterness among Mexican amateurs, who, when they complained to the Mexican communications authorities, were informed that the changes had been made at the suggestion of the American Embassy. Of course, such a statement is not in accordance with the facts, but it enabled the Radio Communication Section to divert criticism from the Mexican Government to the American Government. I am informed that the Mexican amateurs are arranging a protest meeting this week and that the usual charges will be made of Yankee domination in Mexican affairs.

In this connection, the Embassy pointed out to amateurs who have come to the Chancery to complain, that any changes that have been made by the Mexican authorities are in conformity with the Conventions of 1928 [1927] and 1932, to which Mexico is a voluntary party.

Respectfully yours,

JOSEPHUS DANIELS

812.76/218

The Secretary of State to the Ambassador in Mexico (Daniels)

No. 797

WASHINGTON, July 15, 1935.

SIR: The Department refers to your despatch No. 2441 of April 10, 1935, relating to the problem of interference in the amateur frequency bands 3500-4000 kc, 7000-7300 kc, and 14000-14400 kc, as the result of the operation in these bands of amateur radiotelephone stations in Mexico, and advises you as follows concerning this matter.

It appears from the despatch that the Mexican Minister of Foreign Affairs advised your Embassy that "the competent authorities have

⁷⁴ Not printed.

decided to accept the proposals made by the Federal Communications Commission of the United States relative to the distribution of amateur frequency bands". From an examination of the table of frequencies submitted by the Mexican Minister of Foreign Affairs it would seem that the Mexican authorities misconstrued the suggestions of the Federal Communications Commission since they have sought to restrict the Mexican amateurs to channels permitted by the Madrid convention which did not conflict with the channels used by American amateurs, but which do, however, in some instances, still conflict with the frequencies 3500-4000 (3700-3900), 7000-7300 (7150-7300), and 14000-14400 (14075-14150). Moreover, no reference was made in the Mexican note to the Commission's suggestion that "only type A1 emissions be permitted in the bands 3500-3900 kc, 7000-7300 kc, 14000-14150 kc, and 14250-14400 kc.

In view of the foregoing in transmitting a copy of your despatch to the Commission the Department requested an expression of its views with regard to further possible action that might be taken in this case.

The Department has now received a reply from the Federal Communications Commission, a copy of which is enclosed herewith,⁷⁵ and it is suggested that, if you perceive no objection to such a course, you take up this matter again with the competent Mexican authorities. In taking this matter up with the Mexican authorities you should express this Government's appreciation of the friendly spirit of cooperation shown by the Mexican authorities and express regrets that through an apparent misconstruction of the suggestion of the Federal Communications Commission radio amateurs in Mexico may have been inconvenienced. Briefly stated, the suggestion of the Federal Communications Commission is that amateur radiophones, both in the United States and Mexico should only operate on the following frequencies :

1800-2000 kc	28000-28500 kc
3900-4000 kc	56000-60000 kc
14150-14250 kc	400000-401000 kc

And, secondly, that only type A1 emissions be permitted in the bands 3500-3900 kc, 7000-7300 kc, 14000-14150 kc and 14250-14400 kc. It will be observed from the foregoing that the Federal Communications Commission did not suggest that amateurs in Mexico should not operate on the same frequencies as amateurs in the United States, but that both in the United States and in Mexico amateur radiophone operators should operate on certain given frequencies which are listed above. The Department trusts that with the added explanation the competent Mexican authorities may see their way clear to adopt the suggestion of the Federal Communications Commission which can only redound

⁷⁵ Not printed.

to the advantage of amateur radiophone operators both in the United States and Mexico.

Very truly yours,

For the Secretary of State:
R. WALTON MOORE

812.76/220

The Ambassador in Mexico (Daniels) to the Secretary of State

No. 2756

MEXICO, July 23, 1935.

[Received July 29.]

SIR: I have the honor to acknowledge the receipt of the Department's instruction 797 of July 15, 1935, relative to the problem of interference in certain amateur frequency bands. The Department's instruction under reference crossed the Embassy's despatch 2727 of July 15 ⁷⁶ reporting a new distribution of frequencies in Mexico for amateur radiotelephony and radiotelegraphy.

The situation which has developed subsequent to the Department's first instruction of February 2, 1935, was briefly referred to in my despatch number 2441 of April 10. The action reported at that time was taken without consulting interested Mexican amateurs, but as soon as the news was out they protested vigorously to the Department of Communications, which, to divert criticism from itself, said it was acting at the request of the United States Government. This seemed to many Mexican amateurs an unwarranted interference on our part and was promptly resented. At a special meeting of amateurs, the United States, I am informed, was roundly denounced for its action and a committee was appointed to negotiate with the Mexican authorities for a return to the previously prevailing distribution. I understand that in their talks with the Communications authorities the amateurs particularly resented any attempt to remove the 7000-7300 KC. band from radiotelephone operation. These frequencies, they said, were not needed for communication with the United States, but were essential for maintaining contacts with other Spanish-speaking countries of Latin America, which permitted radiotelephone operation on this band of frequencies. They asserted, moreover, that this move on the part of the American authorities to take radiotelephone operation out of the 40-meter band was inspired by the American radiotelegraph operators, who controlled amateur forces in the United States and who were using the American Government in their own interests, to the detriment of the Mexican amateurs. In the face of these energetic and forceful representations by Mexican amateurs, it is not surprising that the Communications Department reversed its earlier

⁷⁶ Not printed.

position and agreed to a new distribution more acceptable to the Mexican amateurs. (See despatch number 2727 of July 15.⁷⁷)

While I believe that the Mexican Communications Department was originally disposed to coöperate in a measure with our suggestion, doubts now arise, in view of the criticism which it has had to face, if further insistence on our part will have any very tangible results. The recent schedule represents a working compromise between Mexican amateurs and the Communications Department, and further demands on our part would most probably serve to revive the antagonism so quickly aroused on the occasion of our original approach. In other words, it is our belief that the Mexican authorities have reached the limit of their desire to coöperate with us voluntarily in this matter, and accordingly I have not renewed my representations to the Mexican authorities, feeling that the Department should first have before it all the facts on which to base a decision.

Respectfully yours,

JOSEPHUS DANIELS

812.76/229

The Secretary of State to the Ambassador in Mexico (Daniels)

No. 857

WASHINGTON, September 7, 1935.

SIR: The Department duly received your despatch No. 2756 of July 23, 1935, relative to the problem of interference in certain amateur frequency bands and encloses for your information copies of its letter of August 2, 1935,⁷⁷ to the Federal Communications Commission and of the commission's letter of August 16, 1935,⁷⁷ in reply thereto. You will observe that the Commission concluded that "in view of the apparent futility of making further representations to the Mexican authorities on this matter at this time, the matter may be laid aside".

Very truly yours,

For the Secretary of State:

R. WALTON MOORE

**TREATY BETWEEN THE UNITED STATES AND MEXICO PROVIDING
FOR ASSISTANCE TO AND SALVAGE OF VESSELS IN TERRITORIAL
WATERS, SIGNED JUNE 13, 1935**

[For text of treaty, signed at Mexico City, see Department of State Treaty Series No. 905, or 49 Stat. 3359.]

⁷⁷ Not printed.

NICARAGUA

NEGOTIATIONS RESPECTING A TRADE AGREEMENT BETWEEN THE UNITED STATES AND NICARAGUA ¹

617.003/178 : Telegram

The Minister in Nicaragua (Lane) to the Secretary of State

MANAGUA, May 19, 1935—5 p.m.
[Received 9:10 p.m.]

40. Department's instruction No. 18, May 16, 6 p.m.² Minister for Foreign Affairs informed me last evening the tariff bill along the lines of tariff now in effect in Salvador is now awaiting President's signature and will then be sent to Congress for approval.

Unless Department directs me to the contrary I propose to see the President on Monday and suggest that enactment of bill into law be deferred pending [negotiation] of trade agreement with us.

Please telegraph instructions.

LANE

617.003/178 : Telegram

The Secretary of State to the Minister in Nicaragua (Lane)

WASHINGTON, May 21, 1935—2 p.m.

21. Your telegram No. 40, May 19, 5 p.m. You may remind President Sacasa that while it is, of course, for Nicaragua to decide what steps it will take in the matter, the Governments represented at Montevideo, including Nicaragua and the United States, approved the resolution on economic, commercial and tariff policy ³ which declares "that the principle of equality of treatment stands and must continue to stand as the basis of all acceptable commercial policy" and which recommends the reduction of trade barriers.

In agreement with this resolution, the trade agreements program of this Government is aimed at the reduction of trade barriers and con-

¹ For previous correspondence, see *Foreign Relations*, 1934, vol. v, pp. 491 ff.

² Not printed.

³ Resolution V, Economic, Commercial, and Tariff Policy, approved December 16, 1933, *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, 1934), pp. 196-198.

templates equal treatment for all countries. This Government, therefore, will not seek preferential treatment from any government with which it is now negotiating or may negotiate.

This Government considers that general adherence to the above principle is in its own ultimate interest, as well as that of all other nations, and that any action which impairs this principle is to its ultimate disadvantage.

HULL

617.003/183 : Telegram

The Minister in Nicaragua (Lane) to the Secretary of State

MANAGUA, June 11, 1935—11 a.m.

[Received 1:30 p.m.]

47. My telegram No. 46, June 10, 4 p.m.⁴ President confirmed last evening previous information that tariff bill will not be introduced pending negotiation of trade agreement with the United States. He said that purpose of bill was to prevent dumping of Japanese goods.

He invited me to give him advice on steps Nicaragua might take to improve its trade with the United States. I said I would give his request careful consideration. Because of his invitation and in view of desperately serious economic and financial situation here, I believe that we now have excellent opportunity to conclude mutually advantageous trade agreement. I urge Department therefore to forward as soon as possible list of concessions desired.

LANE

617.003/180 (Suppl.)

The Secretary of State to the Minister in Nicaragua (Lane)

No. 270

WASHINGTON, June 11, 1935.

SIR: In amplification of the Department's telegram No. 25 of June 8, 3 p. m.,⁴ concerning the three-column tariff law which President Sacasa plans to send to the Nicaraguan Congress on June 11, 1935, you are authorized to inform the appropriate officials of the Nicaraguan Government that this Government would view with concern the adoption of the proposed law in view of the possibly unfavorable effects of the law on the future course of trade relations between Nicaragua and the United States. While it is not believed that the Nicaraguan Government, in drafting and proposing the enactment of the law, intended that such unfavorable effects should result, this Government deems it advisable to make its position in the matter entirely clear.

⁴ Not printed.

The proposed law, if enacted in mandatory form, could be so construed on the basis of past trade balances between the two countries as to result in the application of the medium rather than the minimum rates to American products. According to statistics available here, Nicaragua's trade balance with the United States was unfavorable to the former in 1934 and in each of the preceding five years, 1933 excepted. In 1934, United States purchases from Nicaragua were 68 per cent of United States sales to Nicaragua.

Application of medium rates would conflict with the commercial agreement of June 11, 1924, between Nicaragua and the United States,⁶ which provides for most-favored-nation treatment. It appears, however, that this agreement would probably be terminated by the proposed law either pursuant to article five of the law or by virtue of that provision in the agreement itself which stipulates that the agreement shall automatically lapse if either country is prevented by legislative action from giving effect to it.

This government would thus view with concern the enactment of legislation which, depending on the basing period employed, might immediately result in the imposition of discriminatory duties on products of the United States, or which might have this result at any time in the future. Future trade relations between the two countries would thus be governed by unpredictable and uncontrollable factors.

You may also point out that if Nicaragua discriminates against the products of countries with which it has an unfavorable balance of trade, it cannot justifiably complain if its commerce is denied equal treatment in those countries. Moreover, countries with which Nicaragua has a favorable trade balance, have *ipso facto* an unfavorable balance with Nicaragua, and, if they followed Nicaragua's example and applied the same system, Nicaraguan commerce would be subject to discriminations in such countries. For example, Section 338 of the Tariff Act of 1930,⁷ of the United States specifically provides for action that may be taken by the President of the United States in cases involving discrimination by foreign countries against the commerce of the United States. Similar provisions are found in the laws of numerous other countries. Moreover it is the announced policy of this Government to extend the benefit of the minimum rates resulting from its trade agreements only to countries which reciprocate by extending to American commerce the benefit of their minimum rates.⁸

In this connection, the Department assumes that according to Article 5 of the draft of the three-column tariff law, the Franco-Nicaraguan

⁶ Exchange of notes between the American Chargé in Nicaragua and the Minister for Foreign Affairs, *Foreign Relations*, 1924, vol. II, pp. 514-517.

⁷ 46 Stat. 590, 704.

⁸ See "An Act to Amend the Tariff Act of 1930" (Trade Agreements Act), June 12, 1934, 48 Stat. 943; see also *Foreign Relations*, 1935, vol. I, pp. 536 ff.

modus vivendi of 1921 would be abrogated. Its abrogation would presumably result in higher duties on certain American products now enjoying the benefit of the lower rates provided for in the *modus vivendi*. The Department would view with concern raising of import duties by the Nicaraguan Government at a time when the two countries have agreed to negotiate a trade agreement, which is primarily designed to increase world trade by lowering tariff and trade barriers.

The Government of the United States cannot, therefore, view with indifference the enactment of a law which might inject into the hitherto satisfactory trade relations between the two countries principles which could be decidedly injurious to American commerce with Nicaragua.

Please assure the Nicaraguan Government that the foregoing observations are made in the spirit of the greatest friendliness and that this Government sincerely hopes that its trade relations with Nicaragua may be maintained in the future on the tested bases of equality of treatment and nondiscrimination which have proved most satisfactory in the past. In giving expression to this hope, the Government of the United States is motivated by the genuine belief that maintenance of such bases is to the best interests of both countries, as well as to the world as a whole.

There is enclosed a memorandum, which you may use as you see fit, describing certain general aspects of the problems created by discriminatory tariff legislation of the type which Nicaragua apparently proposes to enact.

Very truly yours,

For the Secretary of State :
SUMNER WELLES

[Enclosure]

MEMORANDUM

The policy of regulating trade relations by trade balances, if generally applied, not only would promote uncertainty and discriminations but would tend to wipe out the excess of exports of each country having a favorable merchandise balance, a situation which would be particularly serious for debtor countries which must rely on an excess of merchandise exports to take care of invisible items in their balance of payments. It would tend to reduce all world trade to bilateral trade, and thus drastically reduce its volume. According to one reliable study, this reduction would amount to one third.

Such a system is inherently inequitable. Its apparent purpose would be to induce foreign countries with which Nicaragua has an adverse trade balance to buy more Nicaraguan products. Yet the fact that Nicaragua's exports to a particular country may be very limited or even negligible may be due entirely to the lack of a demand for products of the particular kind which Nicaragua has to sell and not in the

slightest to governmental action. In effect, such a system could work to the benefit of countries whose trade policy toward Nicaraguan commerce is illiberal but whose purchases from Nicaragua are greater than its sales owing solely to natural factors of production and demand. Trade relations between the United States and Nicaragua clearly illustrate the potential inequities of such a system. Products of principal export importance to Nicaragua are either free of duty or subject to very low duties in this country. Yet because of factors over which this Government has no direct control, American trade might be made subject to discriminatory treatment in Nicaragua, while products of other countries, by virtue of naturally favorable factors of production and demand, and possibly despite illiberal governmental measures affecting Nicaraguan products exported to the countries concerned, would enjoy preferential treatment in Nicaragua.

One of the most objectionable features of a discriminatory system of this character is its tendency to breed international friction and ill-feeling. It is the antithesis of the system based on the principle of unconditional most-favored-nation treatment. This principle was endorsed by the American Republics at Montevideo and is regarded as the best basis for the restoration of a healthy international trade. It forms the central principle of the trade agreements program of the United States.

617.003/184 : Telegram

The Minister in Nicaragua (Lane) to the Secretary of State

MANAGUA, June 18, 1935—noon.

[Received 2:47 p.m.]

50. My despatch No. 870, June 11, 1935.⁹ As the Exchange Control Commission, a Nicaraguan Government agency, appears to be operating on the bilateral principle, to which the Department objects in its instruction No. 270 of June 11, 1935, I suggest the advisability of the Department authorizing me to include, in forthcoming conversations with Nicaraguan officials on proposed tariff law, mention of present policy of Exchange Control Commission. Objection to such a policy would seem to be implicitly expressed in the second paragraph of memorandum transmitted with above mentioned instruction.

Lindberg¹⁰ informs me that present policy of not granting exchange to those countries which do not purchase unit of goods has resulted in preventing further dumping of Japanese products here and expresses the opinion that if this policy be changed Japanese goods will swamp the market.

LANE

⁹ Not printed.

¹⁰ Irving A. Lindberg, Collector General of Customs of Nicaragua.

617.003/184

The Secretary of State to the Minister in Nicaragua (Lane)

No. 282

WASHINGTON, June 27, 1935.

SIR: With reference to your despatch No. 870 of June 11, 1935,¹¹ and to your telegram No. 50 of June 18, 1935 (noon), concerning the policies of the Nicaraguan Exchange Control Commission, you are authorized to point out informally to the President and to the Foreign Minister that this Government is opposed to the use of the bilateral principle in the allocation of foreign exchange by official exchange control commissions. Employment of this principle is not only considered discriminatory to the interests of American commerce but, as suggested in the memorandum enclosed with the Department's instruction No. 270 of June 11, 1935, also is productive of other serious inequities. By tending to restrict world trade to equilibrating bilateral channels, the bilateral principle of allocating foreign exchange contributes to a movement which, if carried to its logical conclusion, would result in the elimination of triangular and multiangular trade. Practices of this character, which have had widespread application since 1931, have already exerted a markedly depressing effect on triangular trade. According to figures recently made public by the Joint Committee for the Study of Clearing Agreements, appointed by the League of Nations,¹² the percentage of triangular trade to total trade of certain groups of countries representing almost three-quarters of world trade, from 1929 to 1933, was as follows:

	1929	1931	1932	1933
(a) 16 European Countries	16.0	14.0	12.5	12.0
(b) 6 Other Countries	22.6	19.0	20.2	19.6
(a) plus (b)	18.3	15.5	14.8	14.2

Continuation of this tendency would leave world trade practically in a state of barter and would be particularly serious for countries such as Nicaragua, which must have active trade balances in order to meet external financial obligations.

This Government's attitude on exchange control is clearly defined in one article of the Standard General Provisions¹³ for incorporation in trade agreements, copies of which have been supplied you. The general policy was also stated on page 2 of the press release of April 1, 1935, "Policy of the United States Concerning the Generalization of Tariff Concessions under Trade Agreements".¹⁴ Copies of this re-

¹¹ Not printed.

¹² League of Nations, *Enquiry into Clearing Agreements* (II. Economic and Financial 1935.II.B.6.), p. 50.

¹³ Vol. I, p. 541.

¹⁴ Department of State, *Press Releases*, April 6, 1935, p. 212.

lease are enclosed. You may, if you see fit, provide the Foreign Minister with a copy of this release, in order that there may be no misunderstanding about this Government's policy on the part of the Nicaraguan Government.

Very truly yours,

For the Secretary of State:
FRANCIS B. SAYRE

611.1731/103 : Telegram

The Minister in Nicaragua (Lane) to the Secretary of State

MANAGUA, June 27, 1935—1 p.m.

[Received 3:05 p.m.]

52. My telegrams numbers 47 and 50. Minister for Foreign Affairs sent for me this morning and said that a conference took place yesterday between the President, Minister of Hacienda and himself at which proposed tariff law and reciprocal trade agreement were discussed. Dr. Argüello stated that Congress is to adjourn next week until December and inquired when trade agreement negotiations might be continued. I informed him that I am awaiting further instructions from the Department. He said he would deeply appreciate it if we could recommence negotiations prior to adjournment of Congress.

LANE

611.1731/105a : Telegram

The Secretary of State to the Minister in Nicaragua (Lane)

WASHINGTON, July 3, 1935—6 p.m.

28. General provisions of proposed trade agreement in revised form will be sent you shortly for presentation to the Nicaraguan Government. Pending their receipt, it is suggested that you make immediately available to the Nicaraguan Government the English and Spanish texts of the general provisions as previously supplied you by the Department, reserving the right to make further changes.

Final studies on Schedule I are under way and should be completed within a few weeks. After final review, the list of concessions will be transmitted at once to you. On its receipt, the Department wishes you to begin active negotiations with the Nicaraguan Government and reach an *ad referendum* agreement i. e. subject to the approval of the Department on the best terms obtainable as expeditiously as possible.

HULL

611.1731/108

The Minister in Nicaragua (Lane) to the Secretary of State

No. 917

MANAGUA, July 5, 1935.

[Received July 11.]

SIR: Acknowledging the receipt of the Department's telegram No. 28 of July 3, 6 p.m., 1935, in regard to the trade agreement to be negotiated with Nicaragua, I have the honor to inform the Department that this morning I called upon the Minister for Foreign Affairs, handed him personally one English and one Spanish copy of the general provisions supplied with the Department's instruction No. 232 of March 28, 1935,¹⁶ and reserved the right to make further changes.

Respectfully yours,

ARTHUR BLISS LANE

611.1731/107: Telegram

The Minister in Nicaragua (Lane) to the Secretary of State

MANAGUA, July 9, 1935—8 p.m.

[Received July 10—12:45 a.m.]

54. Department's telegram No. 28, July 3, 6 p.m. President informed me this afternoon that Congress will adjourn on Saturday without passing proposed tariff law as transmitted in my despatch No. 851 of May 28.¹⁶ President informed me that he would be prepared to discuss with appropriate officials, and with me next week, principles on which negotiation of reciprocal trade agreements will be based.

Collector General of Customs has just furnished me in strict confidence copy of his letter to Minister of Hacienda, dated today, recommending one of two courses of action: (a) concluding special trade agreements with those countries, buying from in general more than they sell to Nicaragua such as the United States and France (and with Germany, if Germany suspends present barter principle); or (b) putting into effect reciprocal tariff, such as transmitted in despatch No. 851. Managing Director of National Bank told me yesterday that he was in favor of denouncing treaty with France,¹⁷ and thereby automatically terminating *modi vivendi* with the United States, Great Britain, Germany, Italy and Spain. Lindberg indicated likewise that would be the simplest procedure for Nicaragua, and that as we would be the first country to negotiate a trade agreement with

¹⁶ Not printed.

¹⁷ The treaty then in force was that of January 27, 1902, which had been denounced by France in 1919 and revived on February 15, 1921. For the text of the original treaty, see *British and Foreign State Papers*, vol. xcvi, p. 818.

Nicaragua subsequent to the denunciation of the French treaty, it would be to our advantage also.

I should appreciate Department's observations by telegraph regarding proposed denunciation of Franco-Nicaraguan treaty.

Sending translations of Lindberg's letter ¹⁹ by air mail tomorrow.

LANE

611.1731/110a

The Secretary of State to the Minister in Nicaragua (Lane)

No. 292

[WASHINGTON,] July 16, 1935.

SIR: With reference to the Department's telegram No. 28 of July 3, 1935, I am transmitting herewith a copy of the revised general provisions¹⁹ which the United States desires to have incorporated into the trade agreement with Nicaragua. Please present these provisions to the Nicaraguan Government. You may likewise furnish the Minister for Foreign Affairs with a copy of the informal Spanish translation of the general provisions, a draft of which is enclosed herewith.

A number of revisions have been made in the general provisions since the time they were originally transmitted to you which will be apparent from a comparison of the text enclosed herewith and the previous text. In presenting to the Nicaraguan Government the present revised text, please make it clear in an *aide-mémoire* that it will supersede the text previously supplied the Nicaraguan Government and likewise reserve the right to make such further changes as may be necessary in the provisions before the agreement is signed. You should also request the Nicaraguan Government to express its views on the general provisions in their present form, with the assurance that they will be given sympathetic consideration by this Government.

Very truly yours,

For the Secretary of State:

FRANCIS B. SAYRE

611.1731/112

The Minister in Nicaragua (Lane) to the Secretary of State

No. 940

MANAGUA, July 22, 1935.

[Received July 29.]

SIR: Pursuant to the Department's air mail Instruction No. 292 of July 16, 1935 (no file number), transmitting the revised general provisions which the United States desires to have incorporated into

¹⁹ Not printed.

the proposed trade agreement with Nicaragua, I have the honor to state that I delivered a Spanish and an English copy of the revised provisions to the Minister for Foreign Affairs this afternoon under cover of an *Aide-Mémoire*,²⁰ a copy of which I enclose herewith.

As there were certain typographical or grammatical errors in the Spanish text of the revised provisions, I took the liberty of making the necessary corrections, as follows:

[Here follow several typographical corrections in the Spanish translation.]

I suggest that the Department's copy be corrected accordingly.

The Minister for Foreign Affairs informed me after reading my *Aide-Mémoire* that he hoped by next week to be able to reach an agreement with us on the general bases of the general provisions. He expressed the hope, however, that the Department's views on specific tariffs, as will be expressed in Schedule I, be received as soon as possible, in order that they may be given prompt consideration.

Apparently the Congress is still in session, but I do not anticipate any action with a view to passage of the proposed three-column tariff bill.

Within the next day or two I shall hope to have a conversation with the President and with the Minister of Finance, with a view to expediting the favorable consideration of the general provisions, as submitted by the Department.

Respectfully yours,

ARTHUR BLISS LANE

617.003/192

The Minister in Nicaragua (Lane) to the Secretary of State

[Extract]

No. 952

MANAGUA, July 27, 1935.

[Received August 1.]

SIR: Referring to the Department's Instruction No. 270 of June 11, 1935 (without file number), authorizing me to inform the appropriate officials of the Nicaraguan Government that the United States Government would view with concern the raising of import duties at this time when the two countries have agreed to negotiate a trade agreement designed primarily to lower tariff and trade barriers, I have the honor to report that the Nicaraguan Government has recently made extensive changes in its customs tariff which were published in Nos. 157 and 158 of *La Gaceta—Diario oficial* (copies of which are enclosed²¹) for July 18 and 19, 1935, respectively. How-

²⁰ Not printed.

²¹ Not reprinted.

ever, in each instance the effect, according to Mr. Irving A. Lindberg, Collector General of Customs of Nicaragua, has been to lower the existing rate of duty.

Respectfully yours,

ARTHUR BLISS LANE

611.1731/113b

The Secretary of State to the Minister in Nicaragua (Lane)

No. 305

WASHINGTON, August 3, 1935.

SIR: I am transmitting herewith the following material for your confidential use in negotiating a trade agreement with the Nicaraguan Government:

1. Copy of mimeographed report on Schedule I—Nicaragua, dated July 19, 1935, prepared by Country Committee; ²²
2. Copy of minutes of meeting of Trade Agreements Committee on July 23, 1935; ²²
3. One copy of mimeographed report of Committee on Textiles; ²²
4. One copy of mimeographed report of Committee on Machinery; ²³
5. One copy each of reports on Schedule II, dated June 14, July 16, July 17 and July 23, 1935; ²²
6. One copy of report prepared by the Department of Commerce on "Principal Articles in the Trade of the United States with Nicaragua, Calendar Years 1929 and 1934".²²

The Country Committee report on Schedule I (enclosure No. 1) consists of a group of recommendations for the reduction or the binding of present duty rates on some of our principal exports to Nicaragua. The following list gives the degree of importance attached to these various recommendations:

- | | |
|-------------------------------|--------------------------|
| 1. Wheat flour | 10. Batteries |
| 2. Industrial machinery | 11. Beans |
| 3. Upper leather | 12. Fresh fruit |
| 4. Lard | 13. Canned vegetables |
| 5. Medicinals | 14. Canned fruit |
| 6. Condensed milk | 15. Dried fruit |
| 7. Radios and apparatus | 16. Electrical equipment |
| 8. Automobile tires and tubes | 17. Cotton hosiery |
| 9. Paints and varnishes | 18. Typewriters |
| 19. Rubber Heels | |

In the course of your conversations with the officials who may be designated to act as negotiators for the Nicaraguan Government, please take into account the above indicated priority list, the observations

²² Not printed.

²³ Not found in Department files.

made in enclosure No. 2 to this instruction, and the following considerations:

WHEAT FLOUR

The Country Committee report on Schedule I recommends that the Nicaraguan Government be asked to bind the existing duty and import charges on wheat flour during the life of the agreement. While the Country Committee did not believe that under present circumstances the Nicaraguan Government should be asked to reduce the duty on wheat flour, in view of its importance as a revenue producer, the Department suggests that before presenting the request to bind you give careful thought to the advisability of asking for some reduction. If, as the Department anticipates, the reaction to such a proposal would be emphatically in the negative, or if you deem it inadvisable even to make such a request of the Nicaraguan negotiators, you may present the request for binding.

MEDICINALS

You will note on page 9 of the Country Committee report (enclosure 1) the text of two notes (*a* and *b*) concerning treatment of pharmaceutical specialties and patent medicines which this Government desires to incorporate in Schedule I. The Committee recommends that the fees charged in this connection be the same for imported as for domestic products with an alternative suggestion that the present rates be allowed to stand with the understanding that they would cover permanent registration and not be subject to renewal every five years as at present. The result of your conversations on this subject will have an important bearing on Article IV in the general provisions concerning national treatment.

COTTON HOSIERY

As pointed out in enclosure No. 2, it is desired that you ascertain the present competitive position of American cotton hosiery exports to Nicaragua before you present this request. Likewise, if the Nicaraguan Government refuses to make any concession on cotton hosiery, you are requested to submit as an alternative a reduction in the duty on cotton shirts. The details and scope of such a concession can be worked out by you in the negotiations. (Consult pp. 20-23 in the report of the Committee on Textiles, enclosure No. 3 to this instruction.)

Enclosures 3 and 4 to this instruction are being supplied for background purposes only. Any recommendations contained therein are only valid if included in the Country Committee report on Schedule I, as amended by enclosure No. 2.

FRANCO-NICARAGUAN MODUS VIVENDI

Four of the concessions indicated in the Country Committee's report on Schedule I appear to be included among the items which enjoy a twenty-five percent reduction from base tariff rates by virtue of the *modus vivendi* originally concluded in 1902 between France and Nicaragua. The Department is not certain whether this discount could be claimed by France and the other countries enjoying most-favored-nation treatment in Nicaragua in the event Nicaragua grants duty reductions to this Government in the trade agreement on commodities mentioned in the Franco-Nicaraguan *modus vivendi*. The Country Committee, in formulating recommendations for decreases in duties, has indicated the lower rate of duty, adding the phrase "less M. F. N.²⁴ 25%"; hence the effective rate which we are seeking would be the net rate after the deduction of the twenty-five percent discount. This is a technical problem which you are requested to bear in mind during the negotiations and which I am sure you will be able to work out to the satisfaction of this Government and of the Nicaraguan Government. Consult in this connection enclosure No. 2 to this instruction.

As regards Schedule II, the concessions which we can make to Nicaragua, it is believed that the information contained in enclosure No. 5 will enable you to outline orally to the Nicaraguan negotiators the nature of the concessions which this Government is now in a position to make. You will observe from the text of the memorandum dated July 17, 1935, that some of the concessions which can be offered to Nicaragua are of interest to other countries with which trade agreements are pending. In the event that the agreement with Nicaragua should be made effective before such other agreements come into force, these other countries might obtain the benefit of these concessions under the most-favored-nation principle or by virtue of existing treaties or agreements, and the basis for bargaining with them might be to some extent impaired. Consequently, there may be occasion to postpone for a short time the promulgation of the agreement with Nicaragua after the negotiations have been concluded in order to bring the several agreements into force at about the same time.

The Trade Agreements Committee in its meeting devoted to a consideration of the agreement with Nicaragua was of the opinion that no concession would be possible on sawed cabinet woods due to the fact that Nicaragua is a minor supplier of these woods. In connection with the memorandum dated July 23, 1935, on sugar, with special reference to Nicaragua, refer to the Department's air mail instruction No. 304 of August 3, 1935.²⁵

²⁴ Most-Favored-Nation.

²⁵ Not printed.

You should request Nicaragua to submit a list of its desiderata, accompanied by information of a sufficiently detailed character to permit experts here to decide whether concessions thereon can be made, keeping in mind the fact that such concessions can only be made to chief or important suppliers of this market.

As regards the procedure to be followed in the negotiations, the Department believes, in the light of the long delays which have ensued in certain of the other Central American Republics to which a formal list of concessions has been presented, that better progress will be made if you can carry on personal direct negotiations with a person or persons authorized to represent the Nicaraguan Government. In this way you can present one after another, or in such manner as you deem most appropriate, the various requests for concessions outlined in the mimeographed report on Schedule I, (enclosure No. 1). Please keep in mind the great importance attached to concessions of any kind on flour and lard. If the Nicaraguan negotiators are unwilling to accept any concession either in the form indicated in the report or in any form at all, you should then drop such items and proceed with others.

In the trade agreement with Haiti,^{25a} conditional concessions on certain items were granted by Haiti to become effective when Haiti's budget expenditure reaches a certain figure. The Department does not desire you, however, at this stage of the negotiations, to propose concessions with a conditional feature involved. Later, if it proves necessary to resort to this expedient, and particularly if the Nicaraguan negotiators themselves suggest some such formula, further consideration will be given the matter.

The Department is well aware of the difficulties involved in reaching a satisfactory agreement with Nicaragua, but believes that direct negotiations will afford the best means of determining rapidly and with finality just how far Nicaragua is prepared to go in meeting our desires. I therefore trust that you will exert every effort to work out the bases of an agreement on the best terms obtainable. Please keep the Department fully informed concerning all developments and submit Schedule I as agreeable to Nicaragua as soon as possible for final review and approval by the Department.

Very truly yours,

For the Secretary of State:
SUMNER WELLES

^{25a} See pp. 642 ff.

611.1731/117

The Minister in Nicaragua (Lane) to the Secretary of State

No. 970

MANAGUA, August 10, 1935.

[Received August 15.]

SIR: With reference to the Department's strictly confidential instruction No. 305 of August 3, 1935 (no file number), regarding the desirability of concluding a reciprocal trade agreement with Nicaragua, I personally delivered a note to the Minister for Foreign Affairs on August 8 requesting him to submit a list of Nicaragua's desiderata, particularly insofar as treatment of Nicaraguan products by the United States is concerned and expressing the hope that I might shortly be favored by the receipt of the views of the Government of Nicaragua on the revised general provisions as transmitted in my *Aide-Mémoire* of July 22²⁶ (see my despatch No. 940 of July 22, 1935). A copy of my note No. 276 of August 8, 1935 to Dr. Argüello is herewith enclosed.²⁶

I orally informed Dr. Argüello that I had received detailed and comprehensive instructions which should enable us to come to an early agreement within a short period, provided the Nicaraguan Government would formulate its views as to the concessions it desires. For my own part, I said, I am ready at any time to take up seriatim with Dr. Argüello, and any other negotiator or negotiators who may be designated, the various products on which we should request tariff concession or assurance. I expressed the hope that, because of the friendly personal relations existing between us and of his efficient manner of handling business between our respective offices, he would take part in the oral conversations. Dr. Argüello replied that such a procedure would be highly satisfactory to him and that he would take up the matter with the President on the latter's return.

On the morning of August 9 the President, who had returned to Managua at 1 a. m. from Chontales, sent word to me that he should appreciate my company at lunch. During my conversation with him, at which the Minister of Hacienda, Don Francisco Castro . . . was present. I informed him of my visit to the Foreign Minister on the previous day and inquired whether Dr. Argüello had furnished him with a copy of my note. The President replied in the negative.

I then again emphasized the advisability of the Nicaraguan Government submitting its requests for concessions at the earliest possible date and said that, as soon as this were done, I should be ready to discuss with the President, or with such negotiator or negotiators as he might designate, the technical details. The President replied that he

²⁶ Not printed.

would urge Dr. Argüello to hurry the matter and added that he agreed with me as to the wisdom of holding round-table conversations rather than carrying on the negotiations through formal written communications which would necessitate endless correspondence and consequent loss of time.

I then referred to the intimations which had been made by the Nicaraguan Chargé d'Affaires in Washington ²⁷ regarding the desirability of granting a tariff reduction with respect to Nicaraguan "full-duty" sugar. I said that insofar as I was aware, no definite request had been made, but that Dr. De Bayle had treated the matter abstractly. The President remarked that Dr. De Bayle had suggested the desirability of requesting the United States Government to grant a reduction on the duty in sugar and had requested instructions, but that he (Dr. Sacasa) had replied that he preferred to take up the matter with the Legation here. I remarked that over a year ago the Nicaraguan Government had requested us to grant a quota for "full-duty" sugar for Nicaragua and that as evidence of our good-will we had granted Nicaragua over 6,000,000 pounds, second only to the quota for Peru—a little over 7,000,000 pounds; that Nicaragua had been granted considerably more than El Salvador, Dominican Republic and Mexico. I pointed out that, despite the granting of this quota, no "full-duty" sugar had as yet been imported into the United States by Nicaragua during the calendar years of 1934 or 1935. I added that no request, insofar as I was aware, had been made by Nicaragua during 1934 for a reduction on sugar tariff. I expressed the opinion, however, that should the Nicaraguan Government desire to make any request with respect to sugar tariff reduction, we should give such request our sympathetic consideration. The special treatment of Cuba was emphasized by me. I expressed my understanding that because of the fact that the Nicaraguan sugar is not completely white in color, it would have difficulty in competing with other sugar in the United States. I said that Mr. O'Reardon of the Ingenio San Antonio had so informed me. The President requested Dr. Castro to get in touch with Don Salvador Muñoz of the Nicaraguan Sugar Estates, Limited, at Granada and discuss the matter with him.

The President said that he would take up actively the general matter of the trade agreement and the specific matter of desired concessions and would let me know as soon as possible regarding developments.

This afternoon I received a telephone conversation from Mr. Ignatius O'Reardon (see my despatch No. 968 of August 9, 1935 ²⁸), who said that, having conferred today in Granada with the management of

²⁷ Henri De Bayle.

²⁸ Not printed.

his company, he was of the opinion that if Nicaragua could obtain a reduction of 20% less than the duty of \$1.9875 per cwt., which he stated he believed is applicable to Nicaraguan 99.8% polarization sugar, Nicaragua would be able to compete with other sugars in the United States.

Pursuant to the Department's instruction No. 305 and to the specific authorization contained in the paragraph on page 2 entitled Wheat Flour, I propose to take up this product foremost with the Nicaraguan officials and believe that it would not be inadvisable to enquire orally during the conversations whether a reduction on the duty for this article would be possible. Should the answer be in the negative, I may then make a request for binding. I do not believe, however, that anything would be lost by at least proposing the question regarding reduction, for it might then be said that we were in effect granting a concession to Nicaragua in withdrawing our request for reduction in tariff on this product.

Respectfully yours,

ARTHUR BLISS LANE

611.1731/122

The Minister in Nicaragua (Lane) to the Secretary of State

No. 993

MANAGUA, August 17, 1935.

[Received August 22.]

SIR: Referring to my despatch No. 988 of August 15, 1935,²⁹ I have the honor to report that, with a view to accelerating the negotiations for a reciprocal trade agreement, I called on the Minister for Foreign Affairs yesterday morning and informed him of my conversation of the previous day with the President and Minister of Hacienda. I expressed my disappointment at the indefinite attitude and apparent apathy of Don Francisco Castro and voiced the hope that Dr. Argüello might be able to expedite the discussions. I referred to my having suggested to the President that Nicaragua inform us 1) whether the revised general provisions submitted by us are satisfactory to Nicaragua, and 2) what concessions Nicaragua specifically requests.

The Minister said that he had now ready for signature a note addressed to me stating that the general provisions are satisfactory in principle, but that he had not yet been able to see the President to obtain his approval. As to the concessions to be sought, he said that Don Francisco Castro had suggested the advisability of asking us what we could give. I stated that we were going to ask for definite concessions and I felt it only fair that Nicaragua should do the same, thus creating a substantial basis for the negotiations. Otherwise,

²⁹ Not printed.

I feared lest our talks would be too general and vague to enable us to arrive at a definite understanding. Dr. Argüello expressed concurrence in my view and said that he had so advised the President and Señor Castro. He added that he would do everything possible to hurry the negotiations. He commented that there is a "complete lack of preparation" on the subject in government circles!

Respectfully yours,

ARTHUR BLISS LANE

611.1731/125

The Minister in Nicaragua (Lane) to the Secretary of State

No. 1007

MANAGUA, August 21, 1935.

[Received August 29.]

SIR: Referring to my strictly confidential despatch No. 993 of August 17, 1935, I have the honor to advise the Department that this morning I again broached to the Minister of Foreign Affairs and to the President, in that order, the matter of the negotiation of a reciprocal trade agreement with Nicaragua. The Minister of Foreign Affairs advised me that yesterday the President had held a Cabinet meeting at which the general provisions, as transmitted by the Department in its Instruction No. 305 of August 3, 1935, were discussed. Dr. Argüello said that when Article 1 of the provisions had been read, the Cabinet desired to examine Schedule I with a view to ascertaining what our wishes were. Dr. Argüello said that as Schedule I was not attached to the general provisions, the discussion stopped there and the meeting adjourned.

I explained to Dr. Argüello that the procedure which I had outlined to him as being most satisfactory and in which he had concurred, was that as soon as we had agreed on the general provisions, and as soon as Nicaragua had formulated her desiderata we could then take up seriatim the various products on which the United States would ask for concessions. I added that if the Cabinet had read on for one more paragraph, they would have found, in Article 2, that Schedule II was likewise mentioned; and that, as Schedule II comprised the concessions to be granted by the United States to Nicaragua, obviously Schedule II could not be included until the Nicaraguan Government had made up its mind with respect to the concessions which it desired of us. I expressed the hope that another meeting might very shortly take place, in order that our point of view might be clarified, and that we might have some definitive action from the Nicaraguan Government.

The Minister for Foreign Affairs made it clear that he was not objecting in any way to the general provisions; in fact, he informed

me that an *aide-mémoire*, addressed to me, had been written on August 5 in which it was stated that in principle the general provisions were agreeable to Nicaragua, subject to correction by either party. Dr. Argüello went so far as to show me the original of this note, which he stated was merely awaiting the approval of the President before being sent to me.

I called Dr. Argüello's attention to an article which had appeared in *La Noticia* this morning to the effect that it would be convenient for the details of the negotiations between Nicaragua and the United States on the reciprocal trade agreement to be made public. I said that of course the Nicaraguan Government would not give any publicity to the negotiations, but I felt impelled to call the Minister's attention to the publication. Dr. Argüello said that naturally no information would be given out, except through mutual agreement, with respect to the negotiations.

After seeing Dr. Argüello, I called on the President and spoke to him along the lines of the foregoing, both with respect to the abortive Cabinet meeting of yesterday and the report in *La Noticia*. Dr. Sacasa confirmed the information given to me by Dr. Argüello regarding the reasons for the termination of the discussion yesterday on the part of the Cabinet, and added that he had instructed the Ministers of the Cabinet to study the general provisions more carefully. I emphasized to the President that these general provisions were the bases in principle of our other reciprocal trade agreements, and that it would, in my opinion, facilitate negotiations if we could agree on the general principles and then take up, one by one, the various products in which the two countries are respectively interested. He said he would endeavor to have another Cabinet meeting held as soon as possible with a view to letting me have a prompt decision.

Respectfully yours,

ARTHUR BLISS LANE

611.1731/123 : Telegram

The Minister in Nicaragua (Lane) to the Secretary of State

MANAGUA, August 22, 1935—6 p.m.

[Received 9 p.m.]

63. Department's instruction No. 305 of August 3rd. President and Minister of Hacienda, with whom I have just conferred, inform me that, as it is the intention of the Nicaraguan Government shortly to amend the present tariff with a view to its simplifications, (see last paragraph of my telegram 41, May 23, 5 [2] p.m.³⁰) they would be glad to have a list of those products which we desire to have included in schedule I in order to ascertain whether or not changes with respect to

³⁰ Not printed.

any of these products are included in the proposed new tariff. Castro said that amended tariff should not affect United States products.

Respectfully request Department's authorization to furnish Government with list of 19 products (alphabetically arranged) enumerated on pages 1 and 2 of instruction No. 305, without any indication of concessions or assurances desired. I believe that this might serve to accelerate negotiations.

LANE

611.1731/126

The Minister in Nicaragua (Lane) to the Secretary of State

No. 1014

MANAGUA, August 24, 1935.

[Received August 29.]

SIR: Referring to my despatch No. 1007 of August 21 and to my telegram No. 63 of August 22, 6 p.m., regarding the negotiation of a reciprocal trade agreement between Nicaragua and the United States, I have the honor to state that on August 22 the Minister for Foreign Affairs indicated to me that the indifference of the Minister of Hacienda, Don Francisco Castro, was the reason for the lack of progress in the negotiations. Dr. Argüello said that at the meeting of August 20 it was obvious that Mr. Castro had not read the text of the general provisions; for this reason the meeting was postponed until such time as he could familiarize himself with the text.

On August 22 I obtained the impression from a joint talk which I had with the President and Mr. Castro that afternoon, that Mr. Castro was taking greater interest in the negotiations and appeared to be quite prepared to accept the principles embodied in the general provisions, provided we should furnish him with a list of those products in which we are interested in securing concessions or assurances. As I pointed out in my telegram No. 63, he said that a new tariff law is being considered by the Government to simplify the existing tariff procedure, and that he wished to find out whether any of the products in which we are interested would be affected thereby. He expressed the opinion that the new law would not affect the United States to any extent. (If the new tariff is identical to that referred to in the Consulate's despatch No. 37 of September 15, 1934,³¹ there will be certain articles, specifically wheat flour, which would be affected, insofar as the interests of the United States are concerned.) It is possible, however, that the suggested amended tariff may have undergone alterations since the date of the Consulate's despatch. In any case, it would not appear that this matter need be the cause of any immediate anxiety on our part.

³¹ Not printed.

As I obtained the impression from the Minister of Hacienda that he was somewhat suspicious regarding our attitude in negotiating the reciprocal trade agreement, (he asked me specifically as to whether Nicaragua would obtain any advantages therefrom) I made the following points in my talk with the President and him:

(1) The general provisions as submitted to the Nicaraguan Government are based primarily on principles which were agreed upon among the countries represented at the Montevideo conference. I quoted the Minister of Foreign Affairs as having said that the general provisions submitted by us were almost identical with the draft of the treaty prepared by him.

(2) It is not the intention of the United States Government to decrease the total revenue of the Nicaraguan Government. In asking for a reduction on a given product it is our intention to increase the amount of commerce between the two countries with respect to that particular product. In time, such increase in trade should increase rather than decrease the revenues of the Nicaraguan Government.

(3) There is no desire on the part of the United States to impose an unfair treaty on Nicaragua. It would be contrary to the best interests of the United States for us to be subjected to the criticism that we were endeavoring to impose upon the Nicaraguan Government a treaty favorable only to us. I said such a procedure would do us not only untold harm in Nicaragua, but elsewhere as well, and that it was entirely contrary to the policies which had been enunciated by the President and by Secretary Hull.

On August 23 I informed the Minister for Foreign Affairs of my conversation with the President and Mr. Castro of the afternoon before. Dr. Argüello then said that he had advised those gentlemen, as I had, that the general provisions as submitted to us are consistent with the principles adopted at Montevideo, and that he felt certain that neither the United States Government nor its representative here would be a party to deceiving (*engañar*) Nicaragua in a trade agreement which, as far as dollars and cents are concerned, is of relatively little importance to the United States, but of great importance to Nicaragua. He said that he had advised the President and Mr. Castro that it would be suicide for the United States, for the sake of a few thousand dollars a year, to gain the impression of being an unscrupulous negotiator. Furthermore, he added that he had complete faith in our desire to help and not to injure Nicaragua. . . .

Respectfully yours,

ARTHUR BLISS LANE

611.1731/123 : Telegram

The Secretary of State to the Minister in Nicaragua (Lane)

WASHINGTON, August 26, 1935—11 a.m.

38. Your telegram No. 63, August 22, 6 p.m. List may be furnished in confidence.

HULL

611.1731/128

The Minister in Nicaragua (Lane) to the Secretary of State

No. 1020

MANAGUA, August 27, 1935.

[Received September 6.]

SIR: Pursuant to the permission contained in the Department's telegram No. 38 of August 26, 11 a.m., I today furnished to the Minister for Foreign Affairs a copy, in duplicate, of the list of articles suggested to be included in Schedule I of the proposed reciprocal trade agreement between the United States and Nicaragua. I stated to Dr. Argüello that I should appreciate it if he would deliver one copy to the Minister of Hacienda. I likewise furnished a copy to President Sacasa yesterday evening. For the Department's records I have the honor to transmit herewith a copy of the memorandum as handed by me this morning to the Minister for Foreign Affairs.

Dr. Argüello stated to me this morning that he had prepared what he termed a "non-technical" report, for the benefit of the President, on the general provisions as submitted by us, and said that he had already prepared a draft of Schedule II, Nicaragua's requests for concessions. He said he saw no reason why the negotiations should not proceed now without further delay.

.
Respectfully yours,

ARTHUR BLISS LANE

[Enclosure]

*List of Articles Suggested To Be Included in Schedule I of Proposed
Reciprocal Trade Agreement Between the United States and
Nicaragua*

Automobile tires and tubes.	Fresh fruits.
Batteries.	Industrial machinery.
Beans.	Lard.
Canned fruit.	Medicines.
Canned vegetables.	Paints and varnishes.
Condensed milk.	Radios and apparatus.
Cotton hosiery.	Rubber heels.
Dried fruit.	Typewriters.
Electrical equipment.	Upper leather.
Wheat flour.	

611.1731/134

The Minister in Nicaragua (Lane) to the Secretary of State

No. 1081

MANAGUA, October 3, 1935.

[Received October 10.]

SIR: I have the honor to refer to the Department's instruction No. 292 of July 16, 1935, transmitting a copy of the revised general provisions which the United States desires to have incorporated into the trade agreement with Nicaragua, and to report that as a result of a talk with Minister for Foreign Affairs, Dr. Argüello, I was finally able to have an informal conference with the Minister of Hacienda, Dr. Castro, regarding the general provisions of the proposed trade agreement.

The discussion with Dr. Castro was informal and was stipulated not to be binding. During the conversation, it became apparent that he had studied only about half of the general provisions, and those only casually.

Dr. Castro's comments were in substance as follows:

1. He felt that due to the position of bondholders who hold bonds guaranteed by Nicaraguan customs receipts, it would be impossible to reduce duties without the consent of the bondholders, and suggested that all articles be bound. This question was discussed with the Collector General of Customs who stated that it was true that Nicaraguan tariff rates could not be reduced without the consent of the bondholders who hold bonds guaranteed by Nicaraguan customs receipts. He said he could not, of course, give any assurance on the point, but he felt that the bondholders would probably accept whatever recommendations the Collector General of Customs made with regard to the question of import duties, as had been the case in the past. Dr. Castro's objection, therefore, would appear to be of an academic nature.

2. With regard to wheat flour, Dr. Castro referred to the flour mill at Masaya, Nicaragua, and said he understood that the concession granted the owners of that mill by the Government of Nicaragua provided that the duty on wheat flour should not be reduced. He added that the terms of the concession had the effect of law. Dr. Castro also informed me that there is a movement on foot to request the Nicaraguan Government to increase the duty on wheat flour. The subject of wheat flour was also discussed by Mr. Ray, of this Legation, on October 3 with the Collector General of Customs, who confirmed the information given me by Dr. Castro. Mr. Lindberg stated that he had an appointment for the same day with a representative of the flour mill at Masaya, and that the latter had intimated his intention of advocating that the Nicaraguan Government make a substantial increase in the duty on wheat flour, and admit wheat free of duty. (It seems probable, from what Mr. Lindberg said, that the United States would thereby lose a considerable amount of export trade to Nicaragua in flour, and that, as he understood wheat could be purchased more cheaply in Argentina, the United States might not be able even to sell any appreciable amount of wheat to Nicaragua.) He

promised to keep the Legation advised as to the situation, but expressed confidence that no action would be taken, either towards increasing the duty on flour or admitting wheat free of duty. He said the mill at Masaya had not operated for some time, but that the concession had recently been transferred to a person very close to the Government, and that a determined effort was apparently being made to begin operation of the mill on a substantial scale.

3. With regard to the last sentence of Article IV, Dr. Castro remarked that the reason why the provisions of the Article should not be applicable to cocoanut oil or combinations or mixtures was not clear to him. It would be appreciated if the Department would advise me what reply it desires me to make to the above informal inquiry.

4. Dr. Castro also inquired, with respect to Article V, as to what basis the United States Customs use for computing the value of articles on which duty is levied. The consulate has furnished me the information contained in Section 402 of the Tariff Act of 1930, regarding the value of merchandise imported into the United States. If the Department feels that additional information should be furnished Dr. Castro, may I be appropriately instructed in the matter?

5. With regard to Article VI, Dr. Castro remarked that Nicaragua has no objection to the provisions of that Article provided there shall be no lack of foreign exchange. As concerns sub-heading 3 of Article VI, he said some provision should be made for Nicaraguan laws, such as the reference made to Section 337 of the United States Tariff Act of 1930. He remarked, however, that he knew of no Nicaraguan law in existence at present which might be applicable. Dr. Castro said he made this suggestion so that the provision, as drafted at present, would not appear one-sided, favoring only the United States.

6. He also requested me to explain to him the reasons for paragraph 2 of Article VII, and what effect the provisions thereof would have on the importation of Nicaraguan sugar into the United States. In this connection, please see my despatches Nos. 1011 and 1030 of August 24 and September 6, 1935, respectively.³²

7. He objected to the second paragraph of Article IX on the ground that during a previous representative period prior to the establishment of any exchange control there had been no difficulty in securing exchange, and stated that under present conditions the amount of foreign exchange allotted must be based on importations.

Dr. Castro apparently had not studied the general provisions further than through Article IX.

Any instructions which the Department may be good enough to give me with regard to Dr. Castro's observations will be appreciated.

Because of the political situation, outlined in my recent telegrams to the Department, it is in my opinion futile to endeavor to press urgently at this moment the matter of the negotiation of a trade agreement; I shall, however, on receipt of the Department's instructions, discuss the matter further with the appropriate officials. For the reasons mentioned above, and for that of economy, I shall not,

³² Neither printed.

unless instructed to the contrary, and until the present political stress is relieved, report by telegraph my conversations on the reciprocal trade agreement.

Respectfully yours,

ARTHUR BLISS LANE

611.1731/140

The Chargé in Nicaragua (Warren) to the Secretary of State

No. 1130-A

MANAGUA, November 1, 1935.

[Received November 11.]

SIR: Referring to the Legation's despatch No. 1130 of November 1, 1935,³³ relative to the Foreign Exchange Situation and American Trade with Nicaragua, I have the honor respectfully to suggest that existing conditions in Nicaragua might be taken into consideration in connection with the proposed trade agreement between the United States and Nicaragua. The Legation appreciates the principle involved, and the negotiation of a trade agreement with Nicaragua might ultimately be of some value to the United States, but so long as present conditions continue here, it seems doubtful that such an agreement would be of any real benefit. American exporters are not receiving payment for the goods that are now being sold until some 13 months after arrival of the merchandise in Nicaragua, and, as pointed out previously, there is a distinct possibility that they will never receive full payment.

Not only does it appear that the United States would derive little benefit in the near future from a trade agreement, but it is also difficult to see what tangible advantages would accrue to Nicaragua. The Consulate has heard the views of a number of Nicaraguan exporters, some of whom stated that they had discussed the question with Government officials, and the general opinion is that the only product on which Nicaragua might request any useful concession from the United States is sugar. A prominent local merchant told an officer of the Legation that a Government official had remarked to him that unless the United States was willing to make it profitable for Nicaragua to export sugar to the United States there was no point in Nicaragua's negotiating an agreement. Outside sugar, there appear to be very few useful concessions which the United States could make to Nicaragua.

During the fiscal year ending June 30, 1934, the United States imported from Nicaragua a total of C\$2,598,211 worth of products. Bananas, coffee, and gold, all of which are admitted free of duty into the United States, went to make up C\$2,419,654 of our imports from

³³ Not printed.

Nicaragua, leaving a balance of only C\$178,557 or slightly less than 7% for other products. Balsam, ipecac, and hides and skins are the more important items included in the figure of C\$178,557. These products are either free or subject to a very low rate of duty. Wood once was an important export from Nicaragua to the United States, but is now negligible. The decline is not due to any import duty imposed, but rather to the general depression and particularly to the fact that the supplies in Nicaragua which are near available transportation have been practically exhausted.

The present Government is occupied with political matters and will probably continue to be increasingly so because of the presidential elections which are to take place next year. It appears to have no interest in the negotiation of a trade agreement.

A local official remarked to an officer of the Legation recently that the Government had no list of concessions to request of the United States, that it was considering sugar but was doubtful as to the possibility of exporting that product to the United States on the basis of any concession which might be obtained. He added that he personally did not see what concessions Nicaragua could request as the principal exports were already on the free list of the United States. He said a reduction of the duty on balsam or lumber would be insignificant and hardly worth considering. He remarked that he was a sincere friend of the United States and hoped we would not "impose" on Nicaragua a treaty which would appear to be one-sided and give Nicaragua no apparent advantages. He admitted that if the United States committed itself not to place a duty on bananas or coffee Nicaragua could well afford to make a few concessions to the United States, but said it would be difficult to make the average person in Nicaragua see that point.

The few concessions which the United States proposes to request from Nicaragua would apparently not be of great benefit to us. American exporters already sell more of the articles in question to Nicaragua than all of the other countries combined, and in many cases have a practical monopoly of the market. The proportion of American sales probably would not be greatly increased, and there would be no great increase in consumption because of the low standard of living and the lack of purchasing power. The Government probably attaches more importance to the loss of customs duties than to the possible increase in consumption.

Leaving wheat flour out of consideration, the loss of duty on the nine articles on which the United States suggests a reduction of duty, on the basis of the quantities imported in 1929, would have been approximately C\$106,000, and on the basis of 1934, approximately C\$30,000.

Except insofar as the Department feels that it should negotiate an agreement with Nicaragua as a matter of principle, there appears to be no real reason for pushing the Nicaraguan Government on the matter at present. There seems to be little hope of any great benefit, at least in the near future, from an agreement with Nicaragua. In view of recent developments, there is little or no chance of obtaining a reduction of the duty on wheat flour. Please see Legation's despatch No. 937 of July 17 [18], 1935.³⁵

There is a movement on foot to increase the duty on flour, and the best we could obtain probably would be to secure an agreement on the part of Nicaragua not to increase the duty. Unless a concession could be granted Nicaragua on sugar, it is probable that the best arrangement the United States could make with Nicaragua would be to agree to bind certain articles in which each of the two countries is primarily interested. The value of the products on which the United States might agree not to levy a duty is so great and so important to Nicaragua in comparison with the value of the few articles on which the United States is asking concessions that an agreement on our part to bind should certainly be equivalent in value to the small concessions to be made by Nicaragua. However, it probably would be difficult to impress that point of view on Nicaraguans, and the criticism which would result from an agreement offering them no concessions might be so vehement and bitter as to make the negotiation of such an arrangement inadvisable.

Respectfully yours,

FLETCHER WARREN

611.1731/138

The Secretary of State to the Chargé in Nicaragua (Warren)

No. 356

WASHINGTON, November 6, 1935.

SIR: There is enclosed a copy of a memorandum³⁵ of conversation between an official of the Division of Latin American Affairs in the Department of State and Dr. Federico Sacasa,³⁶ Señor Guillermo Tünnerman,³⁷ and Dr. Henri DeBayle, with particular reference to the trade agreement now being negotiated between the United States and Nicaragua. It will be noted that both Dr. Sacasa and Señor Tünnerman have expressed themselves in entire agreement with the purposes of the trade agreements program and have stated their intention to strongly urge President Sacasa to bring about the early conclusion of such an agreement with the United States.

³⁵ Not printed.

³⁶ Brother of the President of Nicaragua and a justice of the Supreme Court of Nicaragua.

³⁷ Assistant Manager of the National Bank of Nicaragua.

Following the return to Nicaragua of Dr. Federico Sacasa and Señor Tünnerman, you are instructed to seek an interview with President Sacasa and refer to the conversation reported in the enclosed memorandum. You will refer to the apparent lack of interest in the trade agreements program in Nicaragua as evidenced by the delay on the part of the Nicaraguan Government in studying requests of this Government and in presenting its own requests, and ask President Sacasa whether Nicaragua really desires to negotiate a trade agreement with the United States at the present time.

You may reiterate the hope of this Government that Nicaragua will wish to conclude a trade agreement, and in this connection you may appropriately refer to the considerations which would seem to make such an agreement of advantage to Nicaragua, as set forth in the memorandum of conversation enclosed and likewise in the enclosure to the Department's instruction No. 279 of June 21, 1935.³⁸

Please inform the Department promptly of the nature of President Sacasa's reply.

Very truly yours,

For the Secretary of State:
FRANCIS B. SAYRE

611.1731/143

The Chargé in Nicaragua (Warren) to the Secretary of State

No. 1174

MANAGUA, December 2, 1935.

[Received December 11.]

SIR: I have the honor to acknowledge the receipt of the Department's Instruction No. 356 of November 6, 1935, calling on me to seek an interview with President Sacasa, to refer to the conversation between an official of the Division of Latin American Affairs in the Department of State and Sres. Federico Sacasa, Henri De Bayle, and Guillermo Tünnerman, and to ask President Sacasa whether Nicaragua really desires to negotiate a trade agreement with the United States at the present time.

The Chargé d'Affaires saw President Sacasa late on the afternoon of November 29, 1935, and carried out the Department's instruction under acknowledgement. President Sacasa stated at once that Nicaragua really desires a trade agreement with the United States and that its officials are awaiting the return of Minister Lane to continue negotiations. The President advised me that Don Federico had not discussed with him the subject of the conversation mentioned above and a few moments later Don Federico admitted as much. However, Dr. Federico Sacasa had mentioned to Don Francisco Castro, Minister for Hacienda, in the presence of the President that it was felt in

³⁸ Not printed.

Washington that the treaty negotiations were not progressing as rapidly as desirable.

During the Chargé's visit to the President, Don Federico Sacasa was called in, so that he heard most of the conversation. As a result of that discussion, it is clear to the Legation that the Government officials can not decide what they should ask from the United States or what Nicaragua is in a position to grant in return. The President referred to sugar and expressed the hope that the United States could grant Nicaragua concessions so that it would be somewhat in the same position as Cuba, since (as he said) both countries have special relations with the United States. Regarding sugar and the matter of relations, the Chargé said nothing, believing that a matter more properly to be discussed by the officer actively in charge of the treaty negotiations.

President Sacasa, referring to concessions to be granted the United States, said that the Nicaraguan negotiators have a double difficulty in that they must consider not only the resulting changes in revenue under the present tariff but the potential changes arising under the draft of the new tariff law which the Ministry of Hacienda now has in hand.

The Chargé inquired of the President whether he would mention the matter of the trade agreement to the Minister of Hacienda so that it will be possible to proceed with discussions upon the arrival of Minister Lane and understood the President to indicate that he will so do.

Minister Lane should arrive in Managua on December 11, 1935, when this present correspondence will be brought to his attention. The Chargé will take occasion in the meantime again to request the President's assistance in promptly renewing the negotiations upon the arrival of Mr. Lane.

Respectfully yours,

FLETCHER WARREN

POLITICAL UNREST IN NICARAGUA; POLICY OF THE UNITED STATES NOT TO INTERFERE IN NICARAGUAN INTERNAL AFFAIRS³⁹

817.00/8196

The Minister in Nicaragua (Lane) to the Secretary of State

No. 770

MANAGUA, March 15, 1935.

[Received March 21.]

SIR: Referring to my strictly confidential despatch No. 758 of March 8, 1935,⁴⁰ on the general political situation and to my telegram No. 12,

³⁹ Continued from *Foreign Relations*, 1934, vol. v, pp. 526-558.

⁴⁰ Not printed.

of today,^{40a} I have the honor to report that last evening the Minister for Foreign Affairs, Doctor Leonardo Argüello (who it must be remembered has definite and open aspirations to the Presidency), inquired of me as to what our attitude would be should President Sacasa's successor come into office illegally. I replied that insofar as I knew, the Department's policy with regard to non-recognition of governments coming into power through violence was the same as that expressed in the treaties of 1923⁴¹ to which Nicaragua, Guatemala and Honduras are still parties. The Minister countered my remark by saying that he did not merely wish to refer to governments coming into power through a *coup d'état* but to governments which might come into power "illegally". When Dr. Argüello said to me that the attitude of the United States was always of great importance on such matters, I made the suggestion that our present policy is not to interfere in Nicaraguan political matters and that the intervention is a thing of the past.

Making it evident that I was speaking for myself only and not necessarily for my government, I stated that in my opinion the term "illegally" might easily be susceptible to misinterpretation and that it would seem the duty of the competent Nicaraguan authorities, and not for a foreign power, to interpret the illegality of a matter affecting the constitution of Nicaragua.

Should I have gone further than the Department desires, it will still be possible for me to correct my statements to Doctor Argüello, I having made it clear to him that I was not speaking on behalf of the Department. I felt, however, that it was necessary to make some reply to the Minister's question and as I had already intended to make certain recommendations to the Department on our policy in the case of a contingency which probably will arise prior to the scheduled elections in 1936, I felt it would not be inconsistent to speak to Doctor Argüello as I did.

From many friends close to General Somoza⁴² I am informed that he is definitely determined to be the next President. The Government organ *La Noticia*, probably as a *ballon d'essai*, published a list of Senators and Deputies who, so the newspaper stated, had been interviewed as to how they would vote on the calling of a constitutional convention. According to the paper the Deputies voted 23 to 18, and the Senators, 17 to 6, against the calling of the convention. While no mention is made in the article, a copy of which is enclosed, herewith,⁴³

^{40a} Not printed.

⁴¹ General Treaty of Peace and Amity signed at Washington, February 7, 1923, *Conference on Central American Affairs, Washington, December 4, 1922-February 7, 1923* (Washington, Government Printing Office, 1923), p. 287. See also *Foreign Relations*, 1923, vol. I, pp. 320 ff.; *ibid.*, 1932, vol. V, pp. 566 ff.; *ibid.*, 1933, vol. V, pp. 882 ff.; *ibid.*, 1934, vol. V, pp. 526 ff.

⁴² Anastasio Somoza, Jefe Director of the Guardia Nacional since 1932.

⁴³ Not reprinted.

as to the reasons for the calling of a convention, it is general knowledge that it would be for the purpose of amending Articles 105 and 141 of the constitution⁴⁴ to permit General Somoza to be the next President. Indicative of the inaccuracy of the report published in *La Noticia* is the information which comes to me from a reliable American source, that at least one of the deputies (C. Lacayo Vivas), was not approached by anyone as to his vote which, so it is reported, he would in any case give in favor of the convocation of a constitutional convention.

Today I received an oral report from Mr. H. D. Scott, Manager of the Bragman's Bluff Lumber Company at Puerto Cabezas, a reliable American citizen who has lived in Central America for many years, regarding a conversation which he had this afternoon with General Somoza. According to Mr. Scott, General Somoza gave him a verbal account of an understanding which he had reached with President Sacasa,⁴⁵ substantially as follows:

General Somoza definitely promises not to fire a shot against the Loma, except in the case of the resignation of President Sacasa. (I take this to mean that Somoza is willing to use force against anybody who tried to force the President to resign—ABL). The President would like to have Somoza succeed him. Somoza, however, does not wish the President to support his candidacy, merely remain neutral. The President wishes Somoza to submit to the people of the country through a plebiscite the question of changing the constitution (presumably articles 105 and 141—ABL), to permit him to be legally a candidate to the Presidency. Somoza claims that the *La Noticia* article reflects only the editor's wishes and is not accurate.

My comment on the foregoing is that even though the President may have such an understanding with Somoza, the President's immediate advisers are believed to be hostile towards Somoza. . . . The proposition to submit to a plebiscite the question of constitutional amendments rather than to have the matter brought up in Congress as provided for in the constitution (article 160) would manifestly give the Government a patent opportunity of preventing the passage of the amendments, through its proven effective control of the electoral machinery. Somoza, on the other hand, through a show of force, as was done in connection with the López amnesty project,⁴⁶ would probably be able to control the Congress.

⁴⁴ *Constitución Política de la República de Nicaragua, 1911* (Managua, Tip. de T. Matamoros J., n. d.), pp. 32, 47.

⁴⁵ Juan B. Sacasa, President of Nicaragua since 1933.

⁴⁶ José Antonio López Barreda, a lieutenant in the Guardia Nacional and chief of police of Managua, was tried by court martial on the charge of being the principal instigator of a fire and explosion that occurred in the Campo de Marte in Managua on September 12, 1934, and given the death penalty. This sentence was confirmed by General Somoza, but President Sacasa decided that the article of war which López was found guilty of violating did not specify

On March 13, in the course of a dinner given by General and Mrs. Somoza in honor of the retiring Mexican Minister and Mrs. Herrera de Huerta, Mrs. Somoza asked me if I would give her husband "some good advice" in connection with his future. She said that her husband did not know what to do and that she would be grateful if I should talk to him. I said that the only advice I could give was not to do anything rash and not to resort to violence. Mrs. Somoza replied that there was no question of resorting to violence but that it might be necessary to "make some changes". I did not pursue the matter further, nor do I expect to do so unless the Department instructs me.

It is disheartening, after all the efforts we have made during the past year to establish our intention of not interfering in Nicaraguan affairs and to give Nicaragua a completely free hand in working out her own destinies, to learn that the general feeling among Nicaraguans is that Doctor Sacasa's successor to the Presidency will be chosen by the United States. I fear that the experience of the intervention is still too near and the memory too intense to enable Nicaraguans to believe in our sincerity of allowing them to hold a free Presidential election without intimations or insinuations from us as to whom we desire to have elected.

We are now faced with a problem of great difficulty. If, in answer to questions such as Doctor Argüello's which will undoubtedly be repeated to me by other persons in the future, I should say that we will not recognize the government of any candidate who comes into the Presidency illegally, this would probably be interpreted as a desire on our part to kill Somoza's candidacy. While I do not think that Somoza has now any intention of taking violent measures to attain his ambitions, a seeming rejection of his candidacy by us might goad him to action. If, on the other hand, we should give an affirmative answer, this would give the impression that we favor Somoza for the Presidency and would strengthen the general prevalent impression that we are still intervening in Nicaraguan affairs and are choosing Doctor Sacasa's successor.

My recommendation would be that I be authorized to say, in reply to questions, that it is for the appropriate Nicaraguan authority (presumably the Supreme Court), to determine the legality or illegality of an election; that the Department can express no opinion in advance as to whether it will or will not recognize a given government; and that it is contrary to the Department's general practice to answer hypothetical questions.

the death penalty, and sent the case back to General Somoza who substituted life imprisonment at hard labor. The Chamber of Deputies, making political issue of the matter, passed a bill on March 1, 1935, granting amnesty to López. This action was rescinded, however, after an announcement by Somoza that he would not release López alive.

According to the General Treaty of Peace and Amity of 1923, now in force with respect to Nicaragua, El Salvador [*Guatemala*] and Honduras, it would seem that General Somoza, if elected, could not rightfully claim recognition from Honduras and Guatemala unless he should resign from his present "high military command" at least "six months preceeding . . .⁴⁷ the election" (Article II, head 2, Treaty of 1923). According to the Minister for Foreign Affairs, General Somoza's advisers have pointed out to him that should he resign from his present position, his authority will be gone, and he will no longer have at his disposal the physical forces now available. (Dr. Argüello said that this advice was given to Somoza by General Moncada⁴⁸ in the presence of Dr. Cordero Reyes.)

Insofar as recognition is concerned, this possibility has presumably already been considered by General Somoza. As my colleague in Guatemala has already reported (Mr. Hanna's despatch No. 504 of January 22, 1935),⁴⁹ it appears that General Somoza has been desirous of obtaining the support of his candidacy through the intermediary of Dr. Ramírez Brown. (In considering the possibility as to whether Nicaragua, Honduras or Guatemala might denounce the present treaty so as to render it nugatory for any and all of the present adherents, I have noted that the language of Article XVIII appears to be silent on one important point: Should one party of the three remaining adherents to the treaty file its denunciation, when does such denunciation take effect?)

I understand from Mr. Scott that General Somoza, in discussing today the question of his possible recognition, remarked that General Martínez had been able to remain in power in El Salvador for some time without the recognition of the parties to the Treaty of 1923 and that consequently this matter did not worry him. (I feel convinced, however, that Somoza does not undervalue the importance of the recognition or lack of recognition on the part of the Government of the United States).

As soon as the Department has had an opportunity to consider the matter with which this despatch deals I should deeply appreciate an instruction by air mail or telegraph in answer to the recommendation contained in the first whole paragraph on page six.⁵⁰

Respectfully yours,

ARTHUR BLISS LANE

⁴⁷ Omission indicated in the original despatch.

⁴⁸ José María Moncada, President of Nicaragua 1929-32.

⁴⁹ Not printed.

⁵⁰ Paragraph beginning "My recommendation would be . . .", p. 845.

817.00/8196

The Secretary of State to the Minister in Nicaragua (Lane)

No. 236

WASHINGTON, April 5, 1935.

SIR: The receipt is acknowledged of your despatch No. 770, of March 15, 1935, regarding the general political situation in Nicaragua, in which you request instructions concerning the nature of the reply which you may make if questioned as to whether the United States would extend recognition to a government coming into power "illegally".

This Government obviously cannot comment in advance regarding the possibility of its extending or denying recognition to a régime which may assume power in a given country and you are authorized to make this clear in response to any questions which may be directed to you on the subject.

For your strictly confidential information, it is the Department's opinion, with reference to the second full paragraph on page six of your despatch,⁵¹ that Article II, paragraph 2, of the General Treaty of Peace and Amity of 1923, is not intended to result in the denial of recognition to a president who may have been elected constitutionally, even though he may have been a secretary of state or held a high military command during the six months preceding his election. It is believed that the intent of the first paragraph of Title 2, Article II, is to deny recognition to such a person if he should have reached the presidency through a *coup d'état* or a revolution, even though his assumption of the presidency should subsequently have been confirmed by an election.

For your strictly confidential information also, the Department believes, with reference to the last paragraph appearing on page six of your despatch,⁵² that the language of Article XVIII of the Treaty is sufficiently clear to warrant the view that if one of the three remaining adherents to the Treaty should notify the others of its intention to denounce it, such denunciation would not be effective until one year after the date on which notification had been given.

Very truly yours,

For the Secretary of State:

SUMNER WELLES

⁵¹ Paragraph beginning "According to the General Treaty of Peace and Amity of 1923 . . .", p. 846.

⁵² Paragraph beginning "Insofar as recognition is concerned . . .", p. 846.

817.00/8204 : Telegram

The Minister in Nicaragua (Lane) to the Secretary of State

MANAGUA, April 12, 1935—7 p.m.

[Received 10:45 p.m.]

20. Press of this morning reports arrest of General Castro Wassmer in Leon and his having been brought to Managua for imprisonment under orders of General Somoza, who has just returned from a 12 days tour through the Departments of Melilla, Jinotega, Nueva Segovia and Leon. Wassmer is reported to have been charged with having bombs in his possession. Despite absence of martial law, case does not appear to have been referred to normal judicial authorities.

Minister for Foreign Affairs said to me this morning that Wassmer's arrest is merely another indication of Somoza's intention of acting as the supreme authority in Nicaragua. Argüello expressed opinion that situation is serious.

In my opinion the arrest of Wassmer, who is generally considered one of the most loyal adherents to the President and to the President's family, is significant in indicating Somoza's complete disregard of Presidential sensibilities. Danger is that Somoza has gone so far that he cannot now turn back.

Full details by air mail despatch leaving here Sunday.⁵³

LANE

817.00/8208

The Minister in Nicaragua (Lane) to the Secretary of State

[Extracts]

No. 808

MANAGUA, April 16, 1935.

[Received April 22.]

SIR: Referring to my strictly confidential despatch No. 803 of April 12,⁵⁴ I have the honor to advise the Department that on April 13 I had an extended conversation with President Sacasa in the morning and General Somoza in the afternoon. . . .

On April 13 the President spontaneously said to me that he had no objection to General Somoza's succeeding him in the presidency; that, on the contrary, he would be delighted; but that the election must be

⁵³ Despatch No. 803, April 12, not printed. In telegram No. 22, April 17, 9 a.m., the Minister in Nicaragua reported the release of Castro Wassmer (817.00/8206).

⁵⁴ Not printed.

constitutional. He said that if a constituent assembly is elected in order to change the constitution (I assume he referred to changes in articles 105 and 141), the Government would, of course, supervise the elections and would make certain that they were fair. I inquired of the President whether there were any other means by which the constitution could be changed other than through a constituent assembly. The President said that the Congress could make only what he termed a "partial" change in the constitution which could not take effect until two years subsequent to the congressional approval of the change. He added, however, that one other method existed, through a *coup d'état*, by compelling the Congress, through military force, to approve the changes. (This last-named alternative seems inconsistent with the President's statement that the Congress may make "partial" reforms to the constitution. I felt it unwise, however, to make further inquiries.) In my recent conversations with persons here I have acted principally as a listener, not wishing to indicate through questions which might be misinterpreted or deliberately distorted, that we would favor or disapprove a prospective action (except in that I have, as reported below, counseled against violent action).

I feel reasonably certain that Somoza intends to be the next president, and has had sufficient success in his recent parries with the Government to encourage him to continue his policy of going boldly ahead, regardless of the President's wishes. I fear lest each added move on Somoza's part to put the President in a subordinate role will so much more antagonize the President's followers against him and make it so much the more difficult for Somoza to carry out his wishes through constitutional means, as to increase the possibility of violent action.

I took the opportunity several times during the course of the conversation to express the hope earnestly to General Somoza that he would not resort to any violence. He promised me that he would take no violent action whatever against President Sacasa, and said "I broke my word to you once (referring to his promise not to take any rash action against Sandino), but I will never break my word to you again". He said, without any apparent intention of being humorous, that he would not use violence unless it were for the purpose of defending himself. In view of the physical strength of the Guardia as compared to the Presidential Guard, the use of the term "defense" would be laughable were it not illustrative of what may be in the minds of the military element.

Respectfully yours,

ARTHUR BLISS LANE

817.1051/912 : Telegram

The Minister in Nicaragua (Lane) to the Secretary of State

MANAGUA, April 21, 1935—4 p.m.

[Received 9:15 p.m.]

24. Informed that an attempt against General Somoza's life was frustrated Thursday night. Abelardo Cuadra, officer in Guardia, said to be responsible for attempt, now under arrest. Minister of Foreign Affairs informs me that this incident similar to Castillo⁵⁵ and Lopez plots may be considered as indicating disintegration of Guardia.

Although President was aware of my plans to leave for Costa Rica Wednesday morning, he sent his private secretary to me Tuesday evening to invite me to accompany President to León. I excused myself on ground of having already accepted official invitations in San José.

LANE

817.1051/913 : Telegram

The Minister in Nicaragua (Lane) to the Secretary of State

MANAGUA, April 22, 1935—10 p.m.

[Received April 23—1:35 a.m.]

28. My 24, April 21, 4 p.m. General Somoza informed me this evening that court-martial today (presided over by Colonel Reyes and having three Conservative officers as members out of a total of seven) sentenced Lieutenant Cuadra to be shot; that he has approved verdict and has sent it to the President, now at Momotombo, for final decision. (Somoza admitted that Cuadra is an epileptic but said that as he was involved in the Castillo plot and pardoned on condition of future good behavior severity now is necessary in order to maintain discipline. Somoza said that he has written confession from Cuadra confessing attempted rebellion).

Somoza confirms information which I have received from other sources (including Minister for Foreign Affairs) that this abortive insurrection is similar to Castillo and Lopez plots, indicating that Alosto element in Guardia is responsible; he added that reduction of wages of privates from 12 to 10 cordobas per month is alleged by some as reason for outbreak but that Cuadra was responsible for inciting the troops. He said that 20 men are imprisoned in connection with plot and that 3 non-commissioned officers will be court-martialed tomorrow.

⁵⁵ Capt. Gabriel Castillo of the Guardia Nacional, implicated in a plot to assassinate President Sacasa in July 1934, was court-martialed and sentenced to 20 years' imprisonment.

Somoza said that if President should weaken as in Castillo and Lopez cases, "I throw up my hands". I shall telegraph President's comments on the situation on my return from Momotombo where we are visiting him Wednesday.

LANE

817.00/8211 : Telegram

The Minister in Nicaragua (Lane) to the Secretary of State

MANAGUA, April 25, 1935—5 p.m.

[Received 11:35 p.m.]

29. My telegram 28, April 22, 10 p.m. We visited the President yesterday at Momotombo. He indicated, although he did not so specifically state, that he would not approve the court-martial verdict: (a) by stating that if Cuadra alone were responsible, he must be mad, (b) by stating that if plot were general in character, it would be foolish to eliminate the person of Cuadra as he would be a valuable source of information, and (c) by referring to Articles XXIV, LXIII, LXIV and CXXII of the Constitution.

Just before I left Momotombo, President and Federico Sacasa⁵⁶ urged me to use my influence on Somoza not to take any rash action, and stated that execution of Cuadra would be unconstitutional and would be an act of open rebellion on the part of Somoza. I told them that I had already counselled Somoza against taking any violent action (see last paragraph of my despatch No. 810 of April 23,⁵⁷ and other previous despatches), but would be glad to make further suggestion in the interest of peace. (The President told me that the situation is critical and that strong movement in Guardia in favor of execution has rendered his position most difficult. The finca where the President is staying, allegedly only for a week, has been equipped with an electric light plant, water pumping system, telegraph and telephone lines over a 15 mile stretch, a guard of over 50 men, cannon pointed toward the lake, and large quantities of food and fuel supplies. The fact that the finca is virtually inaccessible except from Lake Managua and by one narrow road from La Paz, indicates the defensive nature of the temporary residence.)

On returning to Managua last night I invited General Somoza to visit me, stating that I had just returned from El Diamante, at Momotombo.

Somoza said that Cuadra would be executed the same night and showed me a petition to him signed by many officers of the Guardia,

⁵⁶ Brother of the President and a justice of the Supreme Court of Nicaragua.

⁵⁷ Not printed.

requesting that the court-martial verdict with respect to Cuadra, be carried out; that the non-punishment of offenses in the Guardia is undermining discipline; and promising their support. (After reading the petition, I mentioned to Somoza that if such a petition was published abroad it would be ridiculous, as the reputation abroad for discipline in the Guardia has suffered principally because those responsible for the assassination of Sandino had not been punished.)

While emphasizing that I was not endeavoring to interpret the constitution, I stated that I understood from the President and Don Federico, that capital punishment under such circumstances as this was outlawed by the constitution. Somoza replied that the regulations of the Guardia provide for capital punishment. I countered that the constitution is the highest law in the country. I likewise pointed out that the proposed execution of Cuadra, contrary to the President's wishes, would be an act of rebellion, the very offense for which Somoza was intending to execute Cuadra. I said to Somoza that I do not wish to give advice on purely internal affairs in Nicaragua unless my advice might avert civil war, but that if he went ahead in this matter as he said he intended, I foresaw the probability of armed revolt. Furthermore, he would put himself in the wrong in the United States and elsewhere: 1, because of his action being unconstitutional, and, 2, because of his act being without the sanction of his superior officer. Somoza advanced the argument that the execution of Cuadra would preserve peace; that he could no longer control his officers, and that inaction would now bring about not only his own fall, and the fall of the President, but the destruction of Nicaragua as well. I said that nobody could prophesy what would happen, but, appealing to his pride, stated that if he were wise he would do well to have his record clear, not only with respect to constitutionality, but with respect to his obedience to the President as well. (Somoza started then to tell me of many of the President's unconstitutional actions which I dismissed by saying that his charges were not relevant to the present case.) I pointed out to Somoza that if he could show by compliance with the President's wishes in this case that he were completely loyal and subservient to him, despite great pressure brought upon him by his fellow officers, he would effectively answer one of the most often expressed criticisms against him that he was not carrying out the President's wishes.

Finally Somoza promised not to execute the death sentence on Cuadra, at least until he conferred personally with the President.

While making it clear throughout the conversation that I was speaking to him personally as a friend, I intimated to him that violent action on his part would be distasteful to this country. I have gone further in this case than at any moment since the situation aris-

ing as a result of Sandino's death, but having in mind the Department's instruction number 78 of May 21, 1934,⁵⁸ I consider that my good offices on behalf of peace and the constituted authorities was justified and necessary.

I complied with the President's request of last evening as an evidence of good will. I feel, however, that this Legation should not be used any further to pull his chestnuts out of the fire. I fear that should we be further drawn into what is doubtless the most serious situation since the killing of Sandino, we will be faced with complications which may seriously embarrass our Government. (The wife of Lieutenant Lopez called at the Legation this afternoon, saying that she understood that she must obtain support of the American Minister in order to assist her husband, who she feared would now be executed. She was told here that her information regarding my possible support was inexact.)

In a separate telegram I am requesting the Department's authorization to proceed to San Salvador on April 27, to remain until May first. This short absence would be an evidence of my refusal to become further involved in a purely local situation, and the fact that I am returning in 4 days should serve to eradicate any possible impression that I am "running away" during a critical period. Nevertheless, my absence for a few days should serve to emphasize that the Legation does not desire to play a prominent and determining part in this situation. Minister for Foreign Affairs has just advised me that he concurs in my view.

LANE

817.00/8212 : Telegram

The Minister in Nicaragua (Lane) to the Secretary of State

[Extract]

MANAGUA, April 26, 1935—4 p.m.

[Received 9 : 35 p.m.]

31. Department's unnumbered telegram [*No. 14*] April 26, noon.⁵⁹ Last night subsequent to the despatch of my telegrams Nos. 29 and 30,⁶⁰ General Somoza informed me by telephone that as a result of my talk with him on Wednesday night, he had spoken to officers of the Guardia, who expressed themselves as being in accord with his decision not to execute Cuadra in the absence of authorization from the President. Somoza stated to me this morning that he is convinced of

⁵⁸ *Foreign Relations*, 1934, vol. v, p. 554.

⁵⁹ Not printed; it referred to Mr. Lane's proposed visit to San Salvador, as does also the omitted portion of this telegram.

⁶⁰ Latter not printed.

the soundness of my advice and expressed his deep gratitude. He showed me private memorandum sent him by General Moncada indicating that prestige of the Guardia and of Somoza would suffer if action insubordinate to the President were taken. Somoza said that there is now no danger of any uprising in the Guardia and that the Cuadra incident should serve to improve the relations between the Government and the Guardia. In other words, according to the information in my possession, the situation is decidedly more satisfactory in two essential respects: (a) Somoza unqualifiedly states that he will obey President's decision, and, (b), according to Somoza, the officers of the Guardia will support Somoza in his obedience to the President. I have no reason to question Somoza's sincerity to me in this matter.

LANE

817.00/8216: Telegram

The Minister in Nicaragua (Lane) to the Secretary of State

MANAGUA, April 30, 1935—8 p.m.

[Received May 1—1:34 a.m.]

34. My 31, April 26, 4 p.m. Press of tomorrow (appearing this evening) publishes text of decision of Sacasa as Commanding General of the Guardia declining to approve court-martial verdict ordering execution of Cuadra. Press likewise publishes manifesto to the nation issued by Sacasa as President stating that "the most sacred interests of the Nicaraguan people require the application of exemplary punishment on account of the gravity of the offense committed;" that Constitution prohibits death sentence except in case of high treason committed in state of war; and that consequently he is obliged to deny confirmation of the death sentences of Cuadra and of unnamed corporals and privates involved in plot.

Tone of Manifesto is conciliatory and dignified.

Translation ⁶¹ by mail.

LANE

817.1051/915

The Secretary of State to the Minister in Nicaragua (Lane)

No. 256

WASHINGTON, May 13, 1935.

SIR: With reference to your telegram No. 34, of April 30, 8 p.m., and previous correspondence on the same subject, the Department wishes to commend you for the discreet and effective manner in which

⁶¹ Not printed.

you rendered assistance in the recent emergency in Nicaragua. It is believed that your wise and friendly counsel aided materially in preventing the development of a situation of great danger to Nicaragua, which might likewise prejudice American interests in that country.

In this connection the Department approves of your action as described on page five of your despatch No. 810 of April 23, 1935,⁶² in declining to convene the diplomatic corps in Managua for the purpose of engaging in concerted diplomatic action in the emergency referred to.⁶³ The Department has the opinion, which you doubtless share, that except perhaps in a very great emergency, the circumstances of which do not permit of consultation, you should not participate in concerted diplomatic action without specific instructions from the Department.

Very truly yours,

For the Secretary of State:
SUMNER WELLES

817.00/8225

The Minister in Nicaragua (Lane) to the Secretary of State

No. 829

MANAGUA, May 14, 1935.

[Received May 31.]

SIR: Referring to my despatches Nos. 803, 808, and 810, of April 12, 16, and 23, respectively,⁶⁴ regarding the political situation here and specifically with reference to the possibility of General Somoza succeeding to the Presidency, I now have the honor to report on the attitude of officials, here and elsewhere, whose respective points of view may have a bearing, of more or less importance, on the general situation here. Through the courtesy and cooperation of my colleagues at San José and San Salvador, I had the opportunity of discussing with officials in those capitals, the problems confronting diplomatic representatives here. For the sake of succinctness I shall briefly give the views, as expressed to me, of the officials of Costa Rica, El Salvador, Guatemala, and Mexico, even though certain of the interviews, at which these views were expressed, have already been reported to the Department. Views of Nicaraguans are also given.

1. *Costa Rica.*

(a) Dr. Raul Gurdián, Minister for Foreign Affairs.

Dr. Gurdián, in a conversation on April 17, substantially reported by Mr. Sack⁶⁵ in his despatch No. 694, of April 25, 1935,⁶² outlined

⁶² Not printed.

⁶³ Such a meeting had been suggested by the Minister of El Salvador.

⁶⁴ Nos. 803 and 810 not printed.

⁶⁵ Leo R. Sack, Minister in Costa Rica.

the present policy of Costa Rica of not meddling in the political affairs of other Central American countries; of not giving assistance to one country as against another; and of not furnishing material aid to a constituted government against a faction seeking to overthrow it. This last mentioned course of procedure I took to refer specifically to Nicaragua, it being in answer to a remark I had made of rumors current in Nicaragua to the effect that in case of trouble the Governments of El Salvador and Costa Rica would furnish arms to the Nicaraguan Government. He stated specifically that no request for arms or ammunition covering such a contingency had been received. Dr. Gurdíán stated that if violence were used by General Somoza in reaching the Presidency it was not certain what action would be taken as the Government of Costa Rica is definitely opposed to the taking over of a government by force. He added, however, that it is the earnest desire of Costa Rica to maintain the closest relations with Nicaragua and that the government of Nicaragua, no matter how constituted, would be the body with which the Costa Rican Government would desire to deal on the friendliest terms. My interpretation of Dr. Gurdíán's attitude may be summarized as follows: desire for peace with and in Nicaragua; refusal to take sides in Nicaraguan politics; and desire to deal only with the constituted authorities.

(b) There is no Costa Rican diplomatic representative in Managua.

2. *El Salvador.*

(a) General Maximiliano Martínez, President of the Republic.

President Martínez in his conversation with Dr. Corrigan⁶⁷ and myself on May 2 said that he hoped there would be peace in Nicaragua; that he had given no instructions to the Salvadoran Minister in Managua with respect to using his influence to have General Somoza ousted as Jefe Director of the Guardia Nacional; and that he agreed with me as to the wisdom of the diplomatic corps refraining from action which might be interpreted as meddling in Nicaraguan political matters. He evinced genuine friendliness for President Sacasa.

(b) Dr. Miguel Angel Araujo, Minister for Foreign Affairs.

Dr. Araujo showed keen interest in existing conditions in Nicaragua, particularly with respect to the forthcoming elections, but expressed no preference as to candidates; he expressed agreement with me that the diplomatic corps in Nicaragua should not permit itself to be used as a tool in order to perform those functions which are properly attributable to the Nicaraguan Government. I frankly stated that pressure had been brought on me to persuade Somoza to leave the Guardia but that I had refused to be a party to such a plan.

(c) Dr. Arturo Ramón Avila, Undersecretary for Foreign Affairs.

⁶⁷ Frank P. Corrigan, Minister in El Salvador.

My conversations with Dr. Avila were substantially the same as those with Dr. Araujo....

(d) Dr. César V. Miranda, Minister of El Salvador in Managua.

This . . . individual, an old friend of the Sacasas . . . has suggested and insinuated to me, respectively, that as Dean, I convoke the diplomatic corps in order to support the Government in its dealings with the Guardia and that I bring about, with the support of the Minister of El Salvador, the resignation of Somoza as Jefe Director of the Guardia. Dr. Miranda has likewise intimated that his government would look with favor upon Somoza's being eliminated from his present post. (For this reason I endeavored to draw out President Martínez and Messrs. Araujo and Avila, in paragraphs *a*, *b*, *c*, *supra*.) General Somoza, in his conversation with me on the night of April 24 regarding the proposed execution of Lieutenant Cuadra (my telegram No. 29, April 25—5 p. m.) said that he knew that Dr. Miranda was plotting against him: that he (Miranda) had recently told the Honorary Consul of El Salvador (Dr. Mariano Argüello Vargas, generally considered to be friendly to Generals Moncada and Somoza) when they were both at Corinto, in reply to a question as to how he felt about Somoza: "There is no use worrying about him. He will soon be out."

(e) My general impression of the Salvadoran attitude, both official and public, is that it is hostile to Somoza, perhaps chiefly because of the Sandino affair and secondarily because Dr. and Mrs. Sacasa enjoy great popularity in El Salvador. While Dr. Miranda may have acted, in his insinuations against Somoza, without written instructions from his government, I gathered the impression that the elimination of Somoza would not be distasteful to the Government of El Salvador, which, in accordance with correct international procedure, would not normally be expected to express an official opinion in the matter.

3. *Guatemala.*

(a) Dr. Rodolfo Gálvez Molina, Minister Resident of Guatemala in Managua.

Dr. Gálvez, in a talk with me on March 22 (reported in my despatch No. 781, of March 22,⁶⁸ a copy of which was furnished the Legation at Guatemala), said that in view of the agreement entered into between Nicaragua, Honduras and Guatemala (immediately prior to the Central American Conference of 1934⁶⁹) to support the Treaty of Peace and Amity of 1923 as among themselves, any efforts which might be made by interested parties to bring about the denunciation of the Treaty on the part of Guatemala, would be to no avail. He added that

⁶⁸ Not printed.

⁶⁹ See *Foreign Relations*, 1934, vol. iv, pp. 423 ff.

President Ubico did not intend to be drawn into local Nicaraguan politics. Dr. Gálvez, who has been playing an unobtrusive role here, has expressed to me his agreement with the position I have endeavored to assume—of not being used to perform functions of the Nicaraguan Government.

4. *Honduras.*

(a) Dr. Justo Gómez Osornio, Honduran Chargé d'Affaires, has not discussed with me the situation under reference. I have not felt it advisable, in the absence of instructions to the contrary, to ascertain his point of view, which might not necessarily reflect that of his government.

5. *Mexico.*

(a) Dr. Octavio Réyes Spíndola, Chargé d'Affaires of Mexico in Managua.

On April 29, Dr. Réyes Spíndola spoke to me substantially as follows:

The relations between President Sacasa and General Somoza must be improved. The United States and Mexico diplomatic representatives should cooperate to bring this about. The Government—and specifically Doña María de Sacasa, Federico Sacasa, and Crisanto Sacasa—is doing all in its power to bring about the overthrow of Somoza. The Cuadra plot was engineered by the group advising the President. Somoza should continue as Jefe Director of the Guardia, but should be told that he cannot be President, as his candidacy would be contrary to the constitution. It would be most unfortunate for the prestige of the United States in Latin America if Somoza, known to have been responsible for the death of Sandino,—a hero in Latin America, yet a mortal enemy of the United States,—was to become President. It would be said that the United States had put him in power as a reward for having killed Sandino. What did Arthur Lane, *not* the American Minister, think of Somoza as a possible presidential candidate?

I replied, in all sincerity to Dr. Réyes Spíndola, that I had formed no opinion regarding availability or non-availability of Presidential candidates and did not expect to do so. I said that the United States does not intend to choose the next President of Nicaragua: that, subsequent to the intervention, we had taken no part in the elections; and that I had gone so far as to absent myself from the country during the recent congressional elections of October 1934. I endeavored to make it clear that my personal opinion is that the Diplomatic Corps should not be drawn into the situation between the President and Somoza; that I, as dean, did not intend to convoke the corps for that purpose, even though one of our colleagues (the Minister of El Salvador) had already approached me to that end; that if anything

untoward, resulting in the loss of life, should eventuate following any concerted action on the part of the corps, we should be blamed individually and collectively, and the Government of the United States in particular; and that the criticism of what I had tried to do to help in the Sandino situation was still too fresh in my mind to be caught again. "Once bitten, twice shy."

In a later conversation with the Mexican Chargé d'Affaires on May 7, he said that he had received instructions from his government, "To observe; to report; but not to meddle." He added that he would not be a party to having Somoza eliminated from the Guardia; and wished to cooperate with me in bringing Sacasa and Somoza together. Emphasizing the confidential nature of my remarks, I spoke somewhat as follows:

"I have been trying since February a year ago to bring the two together and while I believe I succeeded at one time in improving the relations between the two men, I have since realized that there is such a bitter feeling towards Somoza among certain elements close to the President that little headway can be made. If there is anything you can do, go ahead by all means."

Dr. Réyes Spíndola said to me that on that very day, May 7, he had received the newly appointed Nicaraguan Chargé d'Affaires to Mexico, General José María Zelaya C., nephew of ex-President Zelaya, who had said that his instructions were to do everything possible to persuade the Mexican Government not to recognize Somoza in the event that he reached the Presidency.

(b) It will be noted that Dr. Réyes Spíndola's attitude seems to have substantially changed in the interval between April 29 and May 7. It remains to be seen whether General Zelaya will be able to persuade the Mexican Government to instruct its representative here to cooperate with those in the Government, who with General Zelaya, are frankly desirous of the complete elimination of Somoza from the Nicaraguan political picture.

6. *Nicaragua.*

(a) President Sacasa.

During an interview with the President on May 13, he referred to the trip which Somoza is now making to the east coast of Nicaragua; to the unfairness of it, insofar as other presidential candidates are concerned, who are obeying the executive decree prohibiting such activities until six months prior to the next presidential elections, while Somoza, because he is Jefe Director and has the armed forces under him, defies it; to the unconstitutionality of Somoza's candidacy; to the Treaty of 1923; and to the necessity of Somoza bearing in mind the results which his candidacy would have on the United States, because of the creation of the Guardia by the United States.

He said that if Somoza would only be content to be Jefe Director and act as "elector" to guarantee "fair" elections and put his weight on the side of the "best candidate", he would be conferring a favor not only on himself but on the country as well! (The quotation marks are mine. A. B. L.) The President said that the "academicos" (those officers in the Guardia who are graduates of the military academy) were "noting" Somoza's present political trip and that undoubtedly they would make additional trouble in the future because of it. In reply to my question as to what, in his opinion, the outcome would be, the President said, in the indefinite manner which he sometimes employs:

"Some action will have to be taken one of these days. The question is that Somoza is barred by family reasons, by his military status, and by the Treaty of 1923. We shall see."

(b) Dr. Luis Manuel De Bayle, brother-in-law of General Somoza and hence nephew of President Sacasa; and now acting as political mentor to Somoza, at the same time acting in a medical capacity in the Guardia Nacional.

Dr. De Bayle called on me on the morning of May 6 (to invite me to a dinner to be given the following evening in honor of Dr. Daniel M. Molloy of the Rockefeller Foundation) and, after thanking me for the advice I had given to General Somoza on the night of April 24, he enquired whether it was true that I was working for the elimination of Somoza from the Guardia. (Dr. De Bayle said that all arrangements had been made to execute Lieutenant Cuadra and three unnamed non-commissioned members of the Guardia at 6 a. m., on April 25; that the priest had already received their confessions; but that, following my talk with the General, the orders were revoked and rebellion, which the execution would have created, had been averted.) I replied that he should know me better than to ask such a question; that I would not be a party to the proposal that Somoza be dismissed; and that my principal preoccupation is that no violence be used. Dr. De Bayle said that he could promise that there would be no violence on the part of General Somoza. As he arose with what seemed to me a feeling of relief, I stated that I did not wish him or anybody else to think that because of my not using my influence against Somoza, I am favoring his political campaign; that such a supposition would be entirely false. Dr. De Bayle said that both he and General Somoza understood that I could not be in favor of or against any candidate.

(c) Señor Lisímaco Lacayo Solorzano, Chief of Protocol.

Although of negligible importance politically or otherwise, Señor Lacayo is, because of his official position, in constant close relation-

ship with the President and Minister for Foreign Affairs. For this reason his statements may reflect the opinions of Dr. Sacasa and Dr. Argüello. On May 10 Lacayo asked me what I thought of Somoza's candidacy. When I smiled, but failed to answer, he endeavored to obtain my views by adopting the time-worn technique previously employed by Dr. Réyes Spíndola (see p. 6 *supra*).

"I am not asking the Minister, I am asking Mr. Lane."

When I told Mr. Lacayo that I could not discuss the candidacy of General Somoza or of anybody else, among other reasons because I had no opinions regarding any candidacy, he said that the election of Somoza would be indicative of our having put him in the presidency, and that as Somoza had killed Sandino, the enemy of the United States, all Latin America would say that we had given the presidency to Somoza as a reward. (The argument advanced is similar enough to that of the Mexican Chargé d'Affaires as to warrant attention.) Señor Lacayo added that if General Somoza would but wait until the 1940 election there would be no objection to his candidacy; on the other hand he would be acclaimed by all. The discussion was terminated by my saying that both the President and the Minister for Foreign Affairs knew my views which were that we were not supporting nor opposing any candidate.

7. *Conclusion.*

It is evident to me that the Mexican and Salvadoran representatives are hopeful that we may take some action, perhaps of an informal and private character, which would prevent Somoza from reaching the Presidency in succession to Dr. Sacasa. I am prepared to admit that the United States' prestige may suffer in Latin America temporarily should Somoza become president, for the reasons given by Messrs. Réyes Spíndola and Lacayo; on the other hand the same argument against us could be fully as well advanced in 1940. It seems to me that the most important point for this Legation to observe in connection with the coming elections is "Hands Off", although such a policy would not seem inconsistent with the friendly giving of advice, in case the situation should warrant, that the constitutional forms, whatever they may be, should be observed and that under no condition should violence be resorted to.

I should deeply appreciate any instructions or comments which the Department may wish to give me on the situation as outlined above.

Respectfully yours,

ARTHUR BLISS LANE

817.00/8234

The Secretary of State to the Minister in Nicaragua (Lane)

No. 266

WASHINGTON, May 31, 1935.

SIR: The Department has received and read with interest your strictly confidential despatch No. 829 of May 14, 1935, concerning the general political situation in Nicaragua, and transmitting the views of various officials with whom you have recently conversed.

With reference to your request for any instructions or comments which the Department may wish to give you on the situation as outlined in your despatch, I may state that the general attitude which you have assumed, and specifically the reply which you made to the Mexican Chargé d'Affaires in your conversation with him on April 29, are completely in accord with the Department's policy.

Very truly yours,

For the Secretary of State:
SUMNER WELLES

817.00/8240

The Minister in Nicaragua (Lane) to the Secretary of State

No. 892

MANAGUA, June 18, 1935.

[Received June 24.]

SIR: Referring to my strictly confidential telegram No. 48, of June 14, 6 p.m.,⁷⁰ regarding the report that the Minister of El Salvador, Doctor César Virgilio Miranda, had been recalled to El Salvador for various reasons, I took the opportunity in a conversation with President Sacasa on June 15, to broach the matter of Doctor Miranda's activities, in the hope that I might elicit some information. Having on that morning received the Department's instruction No. 266 of May 31, 1935, indicating that it approved my statements to the Mexican Chargé d'Affaires on April 29 (to the effect that the United States did not intend to choose the next President of Nicaragua), I said to Dr. Sacasa that my position here appears to be different to that of the Minister of El Salvador; that I am neither in favor of or against any candidate; and that I could not be a party to the convocation of the diplomatic corps with a view to taking action against Somoza.

The President, earlier in the conversation, had stated that for personal reasons there is no one he would rather see succeed to the presidency than Somoza, but unfortunately, however, the people, so Doctor Sacasa said, did not wish Somoza as President, the Guardia having made itself unpopular throughout the country. Furthermore, he

⁷⁰ Not printed.

added, Somoza's presidency would be distasteful to all of Latin America, would reflect unfavorably on the United States, and would create the belief that the United States had imposed Somoza on the country. The President...told me, what he has said on countless previous occasions, that the United States is his second country and that he would not wish any loss of prestige for the United States in Latin America. I expressed the opinion that were we to take the action which the Minister of Salvador apparently desired, it would, in my opinion, react unfavorably against the United States, as the contention would then be that we were again intervening in Nicaraguan political affairs. I said to the President that the Minister of El Salvador and I had maintained excellent relations, but that on this point I differed radically with him. Furthermore, I said that my Government had approved my attitude in the matter.

.

As Dr. Luis Manuel De Bayle now openly states (he has so stated to me) that Somoza intends to have a constituent assembly called to elect Somoza provisional president (the question of changing the constitution now seems to have been dropped), I inquired of the President as to the accuracy of such rumors, which I did not attribute to any person in particular. Dr Sacasa replied that he, as President and as upholder of the constitution, could not permit such an action which would result in civil war, worse than any which Nicaragua had yet experienced.

On June 17 the Minister for Foreign Affairs stated that he had advised the President to ascertain what the attitude of the present United States Government is with respect to the "Treaty of Washington of 1923" (General Treaty of Peace and Amity). Dr. Argüello said that if the United States Government, which was the guarantor of the treaty, still maintains the same attitude as to the recognition of those who may unconstitutionally come into power in Central America, then "Somoza is finished." Emphasizing that we cannot commit ourselves in advance to the granting or denial of recognition, I said that we are strongly on record against a government coming into power through violence. Dr. Argüello said it was a matter of defining the term "violence" (*violencia*). For instance, he said that in his opinion the election of a constituent assembly, against the will of the President and of the present constituted congress, would constitute a *coup d'état* and consequently an act of violence. I said that I am not in a position to interpret what constitutes "violence". Dr. Argüello said that he would be particularly interested to learn the attitude of the United States Government with respect to recognition of persons "unconstitutionally" elected. (It will be recalled that he submitted a

similar question to me on March 14, as reported on pages 1 and 2 of my despatch No. 770 of March 15, 1935.) As expressed in my despatch No. 770, I do not feel that we should pass on the constitutionality of a given action or condition in Nicaragua, that being a matter for the competent authorities here. Dr. Argüello presumably hopes that we would withhold recognition from Somoza, should he become President, on the basis of the last paragraph of Article II of the General Treaty of 1923, reading as follows:

"Furthermore, in no case shall recognition be accorded to a government which arises from election to power of a citizen expressly and unquestionably disqualified by the Constitution of his country as eligible to election as President, Vice-President, or Chief of State designate."

As an instance of the danger of any other than the appropriate authority interpreting the Constitution, I refer to the commonly repeated belief that Article 141 of the Constitution would prevent Somoza from being constitutionally elected President. Yet it would seem that were Somoza to be chosen by a constituent assembly and not by popular election, the provision of that article would not be applicable to his candidacy. I have likewise heard doubts expressed as to whether Article 105 embraces the contingency of a candidate whose wife is a niece of the President.

Dr. Argüello said that on excellent authority he had learned of Somoza's plans to be president at all cost. Such an intention has been indirectly conveyed to me by many informants, among them American citizens of good repute who claim to have heard Somoza express his ambitions forcibly. Dr. Argüello quoted Somoza as saying that he would allow the President to finish his constitutional term, but if then some "creature of the Sacasas" were to take office, he would have him out of the presidency before the afternoon of January 1, 1937.

Respectfully yours,

ARTHUR BLISS LANE

817.00/8247

The Minister in Nicaragua (Lane) to the Secretary of State

No. 933

MANAGUA, July 16, 1935.

[Received July 22.]

SIR: I have the honor to report that President Sacasa, in a conversation with me last evening, referred to the public manner in which the candidacy of General Somoza for the presidency is being carried on, despite the decree of November 1934,¹ forbidding campaign activities until eight months prior to the forthcoming presidential elections; he specifically called my attention to a letter published in *Diario*

¹ November 16, 1934, *La Gaceta, Diario Oficial*, November 20, 1934, p. 2172.

Latino of July 14, 1935, from Dr. Fernando Alaniz B., to the managing director of that newspaper, publicly admitting that he is "President of the Committee of Liberal Propaganda pro Somoza". A translation ⁷² of the newspaper article publishing the text of the letter is transmitted herewith.

The President stated that the Government had already taken steps in the matter and would either imprison or fine the guilty parties, in accordance with the provisions of the decree. When I asked Dr. Sacasa whether he had personally broached the subject to General Somoza, he replied in the negative and added that Dr. León DeBayle, Undersecretary of Gobernación, would make known the wishes of the Government to the Jefe Director. The fact that Dr. DeBayle is brother-in-law of the General and that he is of a mild and pacific nature, is perhaps indicative of the extent of the measures which the Government will or can take to forestall General Somoza's political activities.

During a recent conversation with General Somoza (on July 2) he stated to me that he was having some discussions with President Sacasa regarding the forthcoming municipal elections in October. Somoza frankly said that it is essential for him to have his men in control of important municipalities so that his interests in the 1936 elections would be protected. I was constrained to remark: "I suppose the Guardia will make certain that the elections will be impartial". When Somoza laughingly replied that the Guardia would do what he commanded, I remarked that my impression was that the Guardia had not been created to impose the election of one of its number, but that one of its intended functions was the supervision of elections with a view to insuring their fairness.

The Minister for Foreign Affairs, Dr. Leonardo Argüello, having recently showed me a letter signed jointly by Dr. A. Flores Vega, urging the addressee to support Somoza's candidacy and stating that Somoza enjoyed the support of the Conservative party, of the better element of the Liberal party, and of the Department of State of the United States, I took advantage of the trend of the conversation to speak to Somoza substantially as follows:

About a year ago I was compelled to make a statement to the press with respect to the popular belief that the United States was supporting Somoza's candidacy. I had warned Somoza on June 14, 1934, that unless he counteracted such a belief I should be compelled to take suitable action: that he had persisted in his activities and had even gone so far in Granada as to admit responsibility for the assassination of Sandino. I had therefore made the statement with the approval of the Department of State. (At this juncture Somoza interjected: "Yes, I always told you your statement was fine and should be made."

⁷² Not printed.

This was the first time I had heard such comment from his lips.) I referred to the letter I had seen signed by Dr. Flores Vega regarding our alleged support of Somoza's candidacy and said I hoped he would give instructions to his followers to refrain from making untrue statements such as the above. I said that it would be highly disagreeable for me, as it was a year ago, to be forced to make a statement which would react against him, and I expressed the hope that he would not compel me to take such a step. I added that it was unnecessary to reiterate that we neither favor nor oppose any candidate and that I could not permit the name of the United States Government to be dragged into Nicaraguan politics.

Somoza took what I said in seemingly good grace and said to me that he would take the necessary steps so that neither the United States nor this Legation would be mentioned in the future as supporting his candidacy. He made then, however, a statement which he had never made before, to me, although similar remarks had been attributed to him by others to me: he said that he had determined to be the next President and that there was nobody in Nicaragua who could prevent it.

As I have previously pointed out to the Department, Somoza has gone so far in his desire to attain his ambitions that it will now be difficult, if not impossible, to turn back without what would be considered here as complete loss of prestige. The danger is that if any obstacle—constitutional, electoral, or other—should impede him in the realization of his goal, he could not, in my opinion, be depended upon to keep his word, many times given to me, that he would not use violence. When I recall that twice on February 21, 1934, Somoza gave me his "word of honor" (he used that expression in English) that he would take no violent action against Sandino,—at a moment when he was actually perfecting the plans for Sandino's murder,—I cannot place great confidence in his promises.

Respectfully yours,

ARTHUR BLISS LANE

817.00/8257

The Minister in Nicaragua (Lane) to the Secretary of State

No. 979A

MANAGUA, August 13, 1935.

[Received August 21.]

SIR: I have the honor to transmit herewith enclosed, a single copy of a clipping, together with translation,⁷³ of the leading article in

⁷³ Not printed.

today's *La Prensa* of Managua, purporting to give the substance of an interview between a representative of President Sacasa and an official of the Department of State.

When I called on President Sacasa this morning in connection with another matter, he referred to this publication and then read to me a rough draft of a letter which he said he proposed to send to the Managing Editor of *La Prensa* in answer to the article, together with a rough draft of a letter from his Private Secretary to the editor of the paper, requesting to be informed as to the source of the information contained therein. The President's letter to Dr. Pedro Joaquin Chamorro, as he read it to me in draft form, stated categorically that the information was false; that he had not sent his brother, Federico Sacasa, to Washington to sound out the Department of State; that it was an insult to attribute to him the desire to extend his own presidential term in violation of the Constitution; and that it was, as well, an insult against the sovereignty of Nicaragua. The President said that this article is but another instance of the desire of the Conservatives to create trouble, particularly now that Generals Chamorro, Moncada and Somoza apparently have an understanding among one another with a view to obtaining control of the succeeding government. Dr. Sacasa said that it would be most helpful if I could make a statement to the effect that the Department of State had not been approached by any representative of his with a view to prolonging his presidential term.

I said that while I did not doubt that the President's information is entirely accurate, I could not make a statement regarding what had transpired or had not transpired with the Department of State without specific instructions from the Department. Should it be the case that the Department has not been approached in the sense indicated, I believe, not only for President Sacasa's sake, but for the sake of affirming our policy of non-intervention as well, it would be advisable to authorize me to make a very brief statement in the matter. It would seem that such a statement might embrace two points:

- (1) The fact (if it is a fact) that we have not been approached by a representative of the Nicaraguan Government with a view to ascertaining our views with respect to the amendment of the Constitution of Nicaragua to permit the extension of President Sacasa's term; and
- (2) The policy of the Department of refraining from taking action in matters of purely Nicaraguan internal concern.

I should deeply appreciate a telegraphic reply to this despatch.

Respectfully yours,

ARTHUR BLISS LANE

817.00/8257 : Telegram

The Secretary of State to the Minister in Nicaragua (Lane)

WASHINGTON, August 26, 1935—5 p.m.

39. Legation's despatch 979a, August 13. The alleged interview referred to by *La Prensa* of course never took place. However the Department believes that in view of President Sacasa's strong statement, transmitted with your 989 of August 15,⁷⁴ no denial by the Legation is necessary and that in fact a denial after the considerable time that has elapsed since the publication of the original article would only serve to recall the article to people's minds and might actually prejudice the interests of the Nicaraguan Government. You may in your discretion inform President Sacasa of the foregoing. If President Sacasa still insists that he believes a denial by the Legation is needed the Department will again give consideration to your recommendation in that sense.

It is inevitable that as the time for elections approaches charges involving the United States Government or its representatives will be made with increasing frequency. Experience has shown that in general denial of such charges in Nicaragua only serves to dignify them and to encourage newspaper publishers to print additional charges for the express purpose of obtaining the Legation's denial. The Department would be willing to consider authorizing you to make a statement calling attention to recent articles in which false references have been made to the Department or to the Legation, stating further that the Legation reiterates the determination of the United States Government not to intervene in the internal affairs of Nicaragua and that reports to the contrary are obviously untrue, and giving notice that the Legation does not intend in the future to dignify any reports of this character which may be published by specific denial. If you consider that such a statement might be useful you should transmit the recommended wording to the Department by air mail.

HULL

817.00/8271

The Minister in Nicaragua (Lane) to the Secretary of State

No. 1021

MANAGUA, August 29, 1935.

[Received September 6.]

SIR: I have the honor to acknowledge the receipt of the Department's telegram No. 39 of August 26, 5 p.m., informing me that the

⁷⁴ Not printed.

alleged interview referred to by *La Prensa* and reported in my despatch No. 979-A of August 13, never took place. I entirely concur in the opinion that a denial "after the considerable time that has elapsed since the publication of the original article" would be unwise. The Department should have received by this time my despatch No. 1005 of August 21,⁷⁵ in which I expressed my belief that because of the question having died down for the time being in the local press, it would be advisable for me not to make any statement, at least for the time being.

I very much appreciate the Department's willingness to consider authorizing me to make a statement referring to recent articles in which false references had been made to the Department or to the Legation, in which statement the Legation would reiterate the determination of the United States not to interfere in the internal affairs of Nicaragua, and that reports to the contrary are obviously untrue. It is my belief, however, that if such a public statement should include the "giving notice that the Legation does not intend in the future to dignify any reports of this character which may be published by specific denial", it would be preferable to say nothing. An expression along the lines of the last quoted clause would, it appears, leave the way clear to leading politicians and their supporters to reiterate, as they have circulated the rumor in the past, that the United States is supporting the candidacy of one of their number, without our being able, as is now the case, to issue a denial.

During the past few months I have on several occasions been constrained to warn one of the more ambitious and headstrong candidates for the presidency that unless he or his followers should cease disseminating the report of our support of his candidacy, I should be forced make a statement, pointing out that the United States is favoring no candidate for the presidency. The fact that this report has in recent weeks been, according to my best information, far less frequently repeated, leads me to believe that the pressure exerted by my verbal cautioning has had a salutary effect.

In view of the fact that the organization with which this presidential candidate is intimately identified was virtually created by the United States Government and has, according to general public opinion, been a favorite child of the Department of State and of this Legation in the past, it is not surprising that the circulation of reports indicating our favoring this particular candidate and his "non-partisan" political machinery should be given credence in Nicaragua and elsewhere in Central America.

On August 27, when I brought to the attention of the President the first two sentences of the Department's telegram under acknowl-

⁷⁵ Not printed.

edgment, Dr. Sacasa expressed his disappointment that the Department had decided not to authorize a statement and made a remark, somewhat lacking in pertinence and accuracy, to the effect that he had supported the Department in his statement published in the local press, and that the Department should now support him. He then changed his line of approach and suggested that I should write him a letter, setting forth that the alleged conversations between his representatives and the Department had never taken place. He said that this letter would be merely for his files and for his personal satisfaction. I said that I should submit to him the draft of such a letter on August 29 for his suggestions, and would inform him in due course as to whether the Department approved the text. I have the honor, accordingly, to transmit herewith a draft letter⁷⁶ and should appreciate the Department's reply by air mail, as to whether I may send such a communication to the President. While the President said to me on August 29 that he had no intention "for the present" of publishing the letter, the possibility of its eventual publication will presumably be borne in mind by the Department in considering the text thereof.

The letter, as originally drafted, contained the following paragraph, immediately following the first paragraph:

"As you well know, the United States Government is determined not to interfere in the internal affairs of Nicaragua. Reports to the contrary are obviously untrue".

As the President objected to the reference to intervention, I deleted the whole paragraph. It occurs to me that Dr. Sacasa, who was, at least theoretically, opposed to intervention by the United States, during his forced absence from the country following the *coup d'état* of General Chamorro in 1925,⁷⁷ will probably within the next sixteen months wish in vain for the support or intervention of the United States in order to help him through a difficult period, and for this reason would prefer not to approve a policy to which he must know we will adhere. Furthermore, he might feel that an emphasis of our non-intervention policy might encourage some of his political adversaries to take steps to satisfy their political ambitions by forcible or other extra-constitutional action.

Respectfully yours,

ARTHUR BLISS LANE

⁷⁶ Not printed.

⁷⁷ See *Foreign Relations*, 1925, vol. II, pp. 636 ff.

817.00/8272 : Telegram

The Minister in Nicaragua (Lane) to the Secretary of State

MANAGUA, September 10, 1935—7 p.m.

[Received 10:23 p.m.]

68. Apprehension evident in governmental circles regarding political banquet to be tendered to Somoza September 14 in Managua at which from 600 to 800 supporters are to attend from all parts of the country (repeated to me by the President and Minister for Foreign Affairs). Current report is that on September 15 (Nicaraguan national holiday) officers of the Guardia will call on President and request him to support Somoza's candidacy and that in case of refusal, action against President will be taken.

Somoza has just admitted to me that there was such a plan but stated that by his orders, the President will not be so approached. He assured me that there will be no trouble.

While discountenancing apprehension, I feel that I must transmit above information in view of its official source.

LANE

817.00/8271

The Secretary of State to the Minister in Nicaragua (Lane)

No. 329

WASHINGTON, September 12, 1935.

The Secretary of State refers to the Minister's strictly confidential despatch of August 29, 1935, with reference to the denial of a supposed interview between a representative of President Sacasa and an official of the Department of State, and has no objection to the Minister's addressing a letter to President Sacasa in accordance with the draft transmitted as enclosure No. 1.

817.00/8287½ : Telegram

The Minister in Nicaragua (Lane) to the Secretary of State

MANAGUA, September 26, 1935—6 p.m.

[Received 9:35 p.m.]

80. Minister for Foreign Affairs informed me yesterday afternoon that situation with regard to Somoza had reached crisis; that Executive Committee of Liberal Party together with municipalities of Masaya, Managua, Leon and Chinandega, was going to request action

on part of President (that is, to demand Somoza's removal as Chief of Guardia); and that prompt action must be taken by the President to request resignation of Lorenzo Guerrero, Minister of Public Instruction, who made the principal speech on September 14 advocating Somoza's presidential candidacy.

Last evening the President informed me that it is true that there is a widespread movement on foot to persuade him to request resignations of Somoza and Guerrero. He characteristically commented that he must consider matter carefully as he wished to ascertain first whether the country is "prepared for action." He expressed his understanding that Somoza is circulating for signature among officers of the Guardia a petition to the President requesting latter to support Somoza's candidacy. He said that if such a request were presented he would be compelled to refuse it.

LANE

817.00/8287: Telegram

The Minister in Nicaragua (Lane) to the Secretary of State

MANAGUA, September 26, 1935—9 p.m.

[Received September 27—5:25 a.m.]

83. My 81.⁷⁸ I was informed in strictest confidence this morning by person very close to the President that the latter's advisers and associates will shortly force him to request Somoza's resignation on the following grounds: continued humiliation of the President; lavish and unauthorized expenditures of Guardia; imprisonment without trials of electoral officials; carrying on campaign activities in spite of Presidential Decree and ineligibility of Somoza for Presidency for constitutional reasons; assassination of innocent persons.

My informant continued substantially as follows: Entire Cabinet with the exception of Minister of Public Instruction is in favor of move to oust Somoza. The President, however, is as yet ignorant of plan and will not be informed until all details are complete. Sacasa will then be persuaded to take action. Present plan is to call Somoza to the Presidency and request his resignation. If he refuses, force is to be used (Somoza told me this evening that he knows his life is in danger); in case Somoza makes a fight, the Government has the promise of material support from El Salvador and Honduras in airplanes and ammunition. If Somoza would go abroad substantial

⁷⁸ Not printed.

sum of money together with governmental post abroad would be offered him. Action will be taken prior to return of Federico Sacasa.⁷⁹

When informant requested my cooperation I answered that I would not cooperate in a step which would probably bring civil war and ruin to Nicaragua; that I would not accept such a responsibility; and that every step should be taken to bring about understanding between Sacasa and Somoza. Informant stated with utmost emphasis "that is impossible". When asked as to attitude of the United States in the event that Somoza would not yield, I reminded informant that intervention is a thing of the past; that this Legation cannot assume functions of the Government; and that wisest course would be to encourage to clarify and adjust differences of opinion. Impossibility of adjustment was again emphasized. I replied that in my opinion action resulting in warfare would be tantamount to suicide of President and family and ruin of Nicaragua as well. Rebuttal was that if Somoza becomes President civil war is bound to come in any case. I said that I could not agree with this argument and added that everybody should work for peace regardless of personal pride or political ambitions. According to informant Guardia commanders are loyal to the President in Leon, Esteli and Granada; airplanes from Honduras are prepared to bring munitions and to bomb Campo de Marte. Asked whether in case Somoza refused to resign, United States Government would insist that he obey President's instructions, I said that I could not commit my Government. I expressed my impression that we would regard this as an internal matter which should be handled by Nicaragua. Informant then said with heat: "We will then depend on our neighbors".

The foregoing taken in connection with my telegrams 80 and 81 of tonight indicates the gravity of the situation. The Government apparently does not realize any more than does the Guardia that neither enjoys general popularity, the former because of vacillation and grafting, the latter for the reasons mentioned in the first paragraph of this telegram.

... Whether divulging this information to me is in order to endeavor to involve us in the situation which may ensue I do not know.

Although my personal opinion is that request for removal of Somoza would very probably create national crisis with resultant disorders, I assume that the Nicaraguan Government should be allowed to take such steps as it considers advisable to meet the situation. Unless I am instructed to the contrary, I shall endeavor personally to prevent any ill-advised action tending to disturb the peace of the country.

LANE

⁷⁹ The brother of the President was en route to the United States.

817.00/8289 : Telegram

The Secretary of State to the Minister in Nicaragua (Lane)

WASHINGTON, September 27, 1935—6 p.m.

52. Your telegrams 80 to 84,⁸⁰ of September 26. This Government as the traditional friend of Nicaragua and feeling that it reflects the consensus of opinion of the American countries, earnestly hopes that nothing will occur to disturb the peace of Nicaragua. It would be a matter of profound regret to all friends of Nicaragua if any action were taken which would bring about intervention on the part of other Central American countries, thus risking the dangers of a general Central American war. You are authorized to make appropriate expression of these views in your conversations with persons concerned in the situation which you describe.

This Government does not, however, intend to intervene in the internal affairs of Nicaragua and the Department concurs in your view that the Nicaraguan Government, upon its own responsibility, should take the steps it may consider appropriate and advisable to meet any situation which may arise.

HULL

817.00/8291 : Telegram

The Minister in Nicaragua (Lane) to the Secretary of State

MANAGUA, September 28, 1935—3 p.m.

[Received 7:50 p.m.]

88. This morning I showed to source referred to in my 83, September 26, 9 p.m. the first paragraph of the Department's 52, September 27, 6 p.m. The following is an outline of the conversation which then ensued:

Informant: In other words we are to do nothing. We are to allow the present fine situation (sarcastically) to continue. Somoza will be President and then the United States will be satisfied.

Myself: You misunderstand my Government's position. We are merely trying as a friend to prevent civil war and a Central American conflagration. We have no desire to intervene in Nicaraguan affairs. Nicaragua is perfectly free to take such administrative action as she wishes. Our hope however is that no action will be taken which will start bloodshed.

Informant: There will probably not be a drop of blood shed. The movement is civic not military. Any military steps which are taken are purely of a precautionary character in case Somoza should rebel (as a result of proposed action outlined in second paragraph of my

⁸⁰ Nos. 81, 82, and 84 not printed.

83, September 26, 9 p. m.). I do not think he will rebel but we must be prepared. We have on our side the Guardia commanders in Leon, Chinandega, Jinotega, Masaya, Rivas and Esteli. We will only call for help from abroad in case we are attacked. Does the United States Government wish us to be attacked without mercy and without defending ourselves?

Myself: If there is a threatened rebellion I shall be glad to assist in the cause of peace as I did in the Sandino and Cuadra cases. You must know that we want peace. It is for that reason I showed you the Department's telegram.

Informant: El Salvador sent assistance to Honduras when the constituted government there was threatened and no objection was made. Why should the United States object now?

Myself: We are not objecting but we are in the most earnest way emphasizing our hope that the peace will not be disturbed.

Informant: All we ask is that if the Government should be faced with Somoza's rebelling you and the Salvadoran and Honduran Ministers should endeavor to persuade Somoza not to upset the peace. (No mention was made of Guatemalan Minister who has recently been associated with Somoza element).

Myself: I have many times urged Somoza never to use violence. Are you sure however that the country is as unanimous in your favor as you say? What about the Conservatives?

Informant: It is true that Chamorro is against us but Cuadra Pasos, Joaquin Gomez and the better Conservative element support us. The people are tired of the threats and the criminal acts of the Guardia. Moncada also is against us. The followers of all those who have presidential ambitions are against Somoza.

I shall telegraph later substance of conversation I am having with Somoza this afternoon.

LANE

817.00/8292: Telegram

The Minister in Nicaragua (Lane) to the Secretary of State

MANAGUA, September 28, 1935—6 p.m.

[Received 10:10 p.m.]

89. My 88 September 28, 3 p.m. Substance of Somoza's remarks as follows:

He is aware that plot has been hatched against him by those close to President which he thinks is to assassinate him. The President is ignorant of plot but will resist it when known to him. From now on he is not going to leave Campo de Marte and will take his orders by telephone from the President. (I asked "might it not constitute rebellion if he sends for you and you do not go?" He replied "If the President will say to you that he will guarantee my life in case I go then I will go.") He is convoking the senior officers of the Guardia

today to tell them to be on the alert for trouble. He has complete confidence in all departmental commanders and counts on the loyalty of 90 per cent of the Guardia. Word has come to him that his resignation will be requested. "If they want it they can have it tomorrow but I shall not be responsible for what will happen and if they think that I am a dog to be thrown to the tigers they are mistaken." He has an understanding with Chamorro on whom he relies because each can be of material value to the other and with Moncada whom he does not trust. He will take no disloyal action against the President but on the other hand the President must not allow any disloyal action to be taken against him (Somoza). He is not afraid: he is afraid of being afraid in which case he cannot answer for his actions. He has told governing officials that if attempt is made to assassinate him the result will be worse than February 21st, 1934,⁸¹ with many more killed. No truth in report that he is circulating petition requesting to support his candidacy. (See my telegram 80.⁸²)

Except for saying that I had heard rumors regarding unrest I did not divulge information recently received.

LANE

817.00/8293 : Telegram

The Minister in Nicaragua (Lane) to the Secretary of State

MANAGUA, September 29, 1935—9 p.m.

[Received 11:50 p.m.]

90. My 89, September 28, 6 p.m. This morning I informed President substance of talk with Somoza yesterday and showed him first paragraph of Department's telegram No. 52, September 27, 6 p.m. which I said was in reply to reports transmitted by me regarding unrest here and possibly of other Central American countries becoming involved.

The President said that while he is entirely in agreement with the Department's views he is not provoking any conflict and he hopes the Department's telegram does not imply that there is any such action on his part. I said I understood telegram to be a general expression of our desire for peace. He said that at this moment there is no movement to disturb the peace and promised to advise me should anything arise.

LANE

⁸¹ Refers to assassination of Sandino; see telegram No. 57, February 22, 1934, 5 a.m., from the Minister in Nicaragua, *Foreign Relations*, 1934, vol. v, p. 529.

⁸² September 26, 6 p.m., p. 871.

817.00/8298

*Memorandum by the Assistant Chief of the Division of Latin
American Affairs (Beaulac)*

[WASHINGTON,] October 1, 1935.

I lunched with Dr. Sacasa and Dr. De Bayle, at the invitation of the latter. Dr. Sacasa, for two hours, endeavored to induce me to give him some "advice" with reference to the situation in Nicaragua. I told him repeatedly that I could give him none, and said nothing to him which could be interpreted as giving advice or expressing an opinion. None of us went into any details as to what the "situation" was. I made no reference to any reports from Nicaragua. Neither Dr. De Bayle nor Dr. Sacasa made any reference to the recent developments which had been reported by the Legation at Managua.

Dr. Sacasa argued that we had a measure of "responsibility" for what the Guardia did, since we created it. He contended that we could not evade that responsibility. I replied that we had no responsibility for what the Guardia did; the intervention had ended on January 2, 1933,⁸³ in agreement with the Nicaraguans; the Secretary of State had made public announcement⁸⁴ at that time that henceforth our relations with Nicaragua were on the same basis as our relations with all other countries; that in seeking advice from me and requesting an opinion, Dr. Sacasa was in fact seeking to prolong or revive the intervention.

Dr. Sacasa said that of course he would like me to speak to him as a friend and not as an official of the American Government. I told him that I could not disassociate myself from my official position and that, even though I could, my opinion would be worth nothing, since I could not pretend to be aware of all the circumstances entering into the situation in Nicaragua.

He said that a word of advice or an opinion would not constitute intervention. I said anything of that nature which I or any other official of the American Government might say would be capable of interpretation as intervention. He said our silence at this time might also be interpreted as a kind of intervention, that is, as acquiescence in whatever might be done. I said that it could only be thus interpreted by people in Nicaragua if their leaders tried to give it that interpretation, and there was no justification for their doing so inasmuch as we had, on numerous occasions, expressed our determination not to intervene in Nicaraguan affairs.

He said that the withdrawal of the Marines had been premature and that that circumstance increased our responsibility. I said that

⁸³ See *Foreign Relations*, 1932, vol. v, pp. 852 ff.; and *ibid.*, 1933, vol. v, pp. 882 ff.

⁸⁴ Department of State, *Press Releases*, January 7, 1933, p. 3.

the withdrawal of the Marines had been announced some two years in advance and had been carried out in agreement with the Nicaraguan authorities. Under the circumstances it could not be deemed premature and we would accept no responsibility for the reason alleged.

He asked me if there was not something I could say to him regarding the desires of the American Government. I said that the American Government earnestly hoped that peace would be preserved in Nicaragua and that it was my opinion that the only durable peace would be one arrived at through the efforts of the Nicaraguans themselves.

He said that at a time like this, some friendly advice from the United States was necessary. I said that what he was saying was tantamount to admission that Nicaragua was incapable of self-government. I asked him whether he was ready to say that. He said that he was not, although sometimes it occurred to him that such was the case. Dr. De Bayle said that he was not willing to admit that Nicaragua was incapable of self-government, and agreed that the only lasting solution to Nicaragua's difficulties would be one arrived at between the Nicaraguans themselves.

Dr. Sacasa insisted repeatedly on some personal "advice" or "opinion" from me, which I declined to give.

Several references were made, during the conversation, to our attitude in connection with the 1923 treaty, if General Somoza engineered a *coup d'état*. I said that the United States could not make a commitment regarding its attitude in a hypothetical situation. I referred to the recent British note to France regarding the British attitude if France were attacked by another power, as an example of a government's inability to commit itself in advance with reference to a hypothetical situation.

With reference to General Somoza, Dr. Sacasa said that he undoubtedly was the most popular of all the candidates and was very well liked by everyone and, personally, he would like nothing better than to see him reach the presidency. However, there are constitutional objections to this and it was naturally the Government's high obligation to abide by the Constitution and laws of Nicaragua. I made no comment on this.

Dr. Sacasa said that he was returning to Nicaragua earlier than he expected because he was very much concerned over the situation and wanted to help if he could. He regretted that I would not help, too, since he had always considered me as one of Nicaragua's best friends. I told him that I still considered myself one of Nicaragua's best friends and that my sincere belief was that the best advice I could give Nicaraguans, or that anyone could give them for that matter, was to settle their own problems.

Our conversation was of the friendliest nature, and as we parted Dr. Sacasa said that he regretted that I hesitated to give him advice.

I said that there was no hesitation at all on my part; that I was determined not to give him advice.

WILLARD L. BEAULAC

817.00/8294 : Telegram

The Minister in Nicaragua (Lane) to the Secretary of State

MANAGUA, October 1, 1935—10 a.m.

[Received 12:45 p.m.]

92. My 90, September 29, 6 [9] p.m. On September 29th the President authorized me to show to Somoza Department's telegram 52 (first paragraph). Subsequently on that day, source of information mentioned in my 83 observed to me that it would be inadvisable to show telegram to Somoza as "Somoza is not the one who is going to take action". Yesterday the President indicated that Department's telegram might create "wrong impression" with Somoza and might cause unnecessary alarm. I agreed not to show it to Somoza for the time being. It would appear from the foregoing that the President is now under pressure.

Despite his expressed intention, as reported in my 89, September 28, 6 p.m., Somoza is circulating freely in Managua. Saturday evening in fact he dined with the President and Mrs. Sacasa and remained at the Presidential House until after midnight.

LANE

817.00/8295 : Telegram

The Minister in Nicaragua (Lane) to the Secretary of State

MANAGUA, October 3, 1935—3 p.m.

[Received 7 p.m.]

95. The President, who had a lengthy interview with General Somoza until 2 p.m., has just informed me that he has ordered Somoza to transfer the Guardia commanders in Matagalpa and Rivas (Captains Parodi and Bello, respectively) to other posts because of their having created friction with the civil authorities and with a view to avoiding trouble in connection with municipal elections November 3. The President quoted Somoza as saying that this order was a blow to him. He added that he expected Somoza to advise him this evening of the names of the officers to replace the above.

From the signs of preoccupation of the President and entourage and from the sounds of heated discussion emanating from the President's office, I gather that the relations have reached the crucial stage. The President indicated, however, that the interview passed off quietly.

LANE

817.00/8296 : Telegram

The Minister in Nicaragua (Lane) to the Secretary of State

MANAGUA, October 4, 1935—4 p.m.

[Received 10:27 p.m.⁸⁵]

96. My 95, October 3, 3 p.m. President Sacasa informed me this afternoon substantially as follows:

Last evening Somoza called on President and protested vigorously against the replacement of the Guardia commanders in Matagalpa and Rivas on the ground that they are his friends and that their substitution would mean loss of prestige to him and to the Guardia. The President took the position that if such is Somoza's attitude, he (the President) would take "appropriate measures". Somoza took no pains to conceal his anger although when he left the Presidential house late last night he agreed to submit today to the President the names of the officers to succeed those to be replaced.

The Minister for Foreign Affairs has just informed me that he is convinced that Chamorro is engineering a *coup d'état*, probably with the connivance of Moncada. He said he expects the revolution to come within the next week. (He is leaving tomorrow by plane for Guatemala to visit his daughter who he states is seriously ill.)

LANE

817.00/8299 : Telegram

The Minister in Nicaragua (Lane) to the Secretary of State

MANAGUA, October 5, 1935—5 p.m.

[Received 11:30 p.m.]

97. My telegram No. 96, October 4, 4 p.m. Last evening I spoke to Minister for Foreign Affairs of my fear lest some action might be taken by persons close to the President which might result in disturbing the peace of the country and of Central America as well. As Doctor Argüello appeared to know nothing about the situation which I have previously reported to the Department I determined, at the risk of jeopardizing my friendship with the source referred to in my telegram 83, of making an appeal through him for calm and absence of violence. This morning he informed me on his departure for Guatemala that he had spoken to the party in question and that he is now assured nothing will be done.

He showed me a memorandum in which his views regarding the policy to be followed by the Government were outlined: the President should set forth in writing his orders to Somoza regarding military

⁸⁵ Telegram in three sections.

changes; if Somoza obeys, all is well; if Somoza refuses, then the Government is entitled to take the necessary steps.

I showed Argüello the first paragraph of the Department's telegram No. 52. He said he was in entire agreement with the Department's views.

LANE

817.00/8301 : Telegram

The Minister in Nicaragua (Lane) to the Secretary of State

MANAGUA, October 7, 1935—6 p.m.

[Received 10:59 p.m.]

98. President Sacasa, who has been ill since Friday, showed me this morning numerous telegrams exchanged between him and officials in Matagalpa and Jinotega regarding arrest on October 5 of General Justo Carlos Vargas, publisher of *El Imparcial* of Matagalpa, a newspaper of the Liberal Party, but anti-Somoza in tendency. According to telegrams shown to me and to President's oral statements the situation is substantially as follows:

Vargas, who has been editorially attacking Guardia tactics in Matagalpa was arrested for the third time on Saturday. The President in his capacity as commanding general telegraphed to Captain Parodi (see my telegrams numbers 95, 96 and 97) instructing him to put Vargas at liberty at once. Opinion was that matter is in the hands of General Somoza, who President states is ill, but who has been informed of all steps in this case. Vargas has been taken on foot to Jinotega and thence to the North (probably Wiwili). The fear is lest "ley de fuga" will be applied.

The President stated that while his first plan, as outlined in my telegram No. 95, was to have Parodi transferred to another post, he now will insist that he be expelled from the Guardia. He said that as Commanding General he would not allow insubordination as outlined above. He said that while he had not been able to speak to Somoza because of the latter's illness, he was surprised that Somoza had made no observations to him on the Vargas case, the arrest of the latter having been, according to Parodi's telegram to the President, ordered by Somoza.

The President stated that the Undersecretary of Gobernacion was to discuss the case with General Somoza this afternoon. Dr. Sacasa promised to keep me promptly notified of General Somoza's decision.

I spoke by telephone this morning with American Consular Agent at Matagalpa, who referred to Vargas' arrest and stated that situation there is quiet and no trouble expected. My personal opinion however

is that matters have developed to such an extent that the crisis probably cannot be now avoided. It is my conjecture that the President's anxiety as to our support (as reported in my 99 of today⁸⁶), is due to his fear lest Somoza will decline to yield to the President's authority in the absence of pressure exerted on him by the United States.

LANE

817.00/8300 : Telegram

The Minister in Nicaragua (Lane) to the Secretary of State

MANAGUA, October 7, 1935—7 p.m.

[Received 9:25 p.m.]

99. At conclusion of interview with the President, as reported in my telegram 98 of today, he was obdurate in insisting that our Government has an obligation to intervene on his Government's side on matters concerning the Guardia. Although I endeavored to impress on him as forcibly as possible our present attitude of nonintervention in Nicaraguan affairs, he refused to be convinced. Under these circumstances, I feel that it would be salutary if the Department would telegraph me authorization to show him memoranda⁸⁷ of conversations with Federico Sacasa transmitted with the Department's strictly confidential air mail instruction No. 339 of October 3.⁸⁸ It would likewise be helpful if the Department's telegram of authorization should direct me to say that observations of Messrs. Wilson and Beaulac accurately reflect the attitude of the Department. Please telegraph.

LANE

817.00/8300 : Telegram

The Secretary of State to the Minister in Nicaragua (Lane)

WASHINGTON, October 8, 1935—8 p.m.

59. Your 99, October 7, 7 p.m. You are authorized to show President Sacasa the memoranda referred to and to tell him that the observations of Messrs. Wilson and Beaulac contained therein accurately reflect the attitude of the Department.

HULL

⁸⁶ *Infra.*

⁸⁷ Only one printed; p. 877.

⁸⁸ Not printed.

817.00/8302 : Telegram

The Minister in Nicaragua (Lane) to the Secretary of State

MANAGUA, October 9, 1935—7 p.m.

[Received 9:45 p.m.]

102. Department's 59, October 8, 8 p.m. In accordance with authorization in Department's 59, October 8, 8 p.m., I showed memorandum to the President today. As was to be expected, he was not pleased. Several times he asked me to tell him frankly whether we desired Somoza to be President (see first paragraph of informant's comments in my 88⁸⁹). I replied that he knows as well as I that we have no choice for the Presidency. The tenor of his conversation (regarding friendship for the United States, and the ideals, obligations, and responsibilities of the United States) was likewise to be expected. I observed that my understanding of the term "sovereignty" is that large and small sovereign nations should be treated equally. In other words we do not treat Nicaragua differently from Great Britain. We do not "advise" Great Britain as to how its elections or political matters should be held. Why should we so "advise" Nicaragua? The President again commenced the argument of our responsibility with respect to the Guardia. He referred to the agreement of November, 1932,⁹⁰ having been made when we had Nicaragua "by the throat". He refuses to admit that we ended our responsibility as of January 2, 1933, despite the statement of Secretary Stimson on that date.

He said that he is now convinced Somoza is preparing a *coup d'état*. This is the first time during my incumbency that he has spoken to me so positively on this specific matter. He gave no details, however, as to what might happen.

He showed me telegram from Matagalpa from General Vargas indicating that the latter had been released. He said that Somoza had indicated desire to talk to President about Parodi case as soon as Somoza is physically able to do so. (The President is apparently again letting matters take the easiest course.)

LANE

817.00/8310

*Memorandum by the Chief of the Division of Latin American Affairs
(Wilson)*

[WASHINGTON,] October 16, 1935.

Dr. Federico Sacasa, accompanied by Dr. De Bayle, called on Mr. Welles. Mr. Wilson was present.

⁸⁹ September 28, 3 p.m., p. 874.⁹⁰ *Foreign Relations*, 1932, vol. v, p. 887.

Dr. Sacasa said that he had wished, before returning to his country, to make Mr. Welles' acquaintance and to pay his respects. He said that he was planning to leave Washington to return to Nicaragua some time next week.

After a certain amount of conversation on general subjects, Dr. Sacasa said that he was concerned over the political situation in his country. He said that the political agitation in connection with the next presidential elections was extreme; he said that the situation which caused him greatest concern was that relating to General Somoza's presidential ambitions. Personally, he had great respect and liking for General Somoza and believed that if left to himself the General would do nothing to disturb order and peace in Nicaragua; however, persons close to General Somoza, who hoped to profit from their relations with him, were urging him to take whatever steps were necessary to become President of the country. General Somoza, through his relationship by marriage with President Sacasa is barred under the Nicaraguan constitution from becoming President. Dr. Sacasa stated that President Sacasa was doing all in his power to maintain constitutional government but it was feared that political ambitions would bring about a situation in which anarchy and chaos might ensue. At this point Dr. Sacasa stated that he was confident that the Nicaraguan Government could look for the friendly moral assistance of the United States Government.

Mr. Welles said that he was not quite sure just what Dr. Sacasa meant by "friendly moral assistance." Dr. Sacasa, after trying to phrase it differently, finally repeated that his country was looking for "friendly moral assistance" from the United States. Mr. Welles thereupon said that, in order that there might be no slightest possibility of misunderstanding, he wished to make clear the position of the United States Government. He said that the United States Government had the friendliest sentiments for the Government of Nicaragua, being an old and traditional friend, and that the United States Government entertained the most earnest hopes that Nicaragua would be able to work out her own problems in satisfactory manner. He stated that so far as the United States was concerned, the possibility of American intervention in Nicaraguan affairs was definitely ended. The United States had withdrawn from Nicaragua in January, 1933, and the relations of the United States to Nicaragua were exactly the same as those of the United States to any other sovereign and independent country. Mr. Welles stated that, in the economic and commercial spheres, if the Nicaraguan Government had any proposals regarding such relations between our two countries, the Department would always be glad to give attentive consideration to them; in this connection it was hoped that the present trade negotiations would turn out to be of value to both countries.

But any question of interference by the United States in the domestic internal problems of Nicaragua was out of the question and utterly impossible.

Dr. Sacasa stated that he did not want any "intervention" or "interference" but only wanted the "friendly moral assistance" of the United States Government; he stated that some expression of the friendly interest of the United States in seeing Nicaragua work out her problems satisfactorily would be an example of such "friendly moral assistance." Mr. Welles stated that, to be specific, if the United States Government was to make any such declaration, or to make any statements to any individuals in Nicaragua, this would be regarded as intervention or interference in Nicaraguan affairs.

Dr. Sacasa then endeavored to argue that the withdrawal of the United States from Nicaragua had been premature, that the Guardia had not been properly officered, and that the United States Government had some measure of responsibility for any situation in Nicaragua arising out of action of the Guardia. Mr. Welles made it clear to Dr. Sacasa that the withdrawal of the United States from Nicaragua had been announced two years prior to the event; that the decision as to the manner of appointing officers in the Guardia at the time of the American withdrawal was the decision of the Nicaraguan Government; General Matthews, Commandant of the Guardia, at the request of President Moncada, had worked out a plan, and this plan had been approved by the Nicaraguan Government and agreed to by the two presidential candidates. But the decision to adopt the plan in question, and the decision to appoint the officers in the Guardia, was the decision of the Government of Nicaragua on its own responsibility. The United States had formally and finally withdrawn from Nicaraguan affairs in January, 1933, and at that time had made a public declaration to the effect that henceforth its relations with Nicaragua were on the same footing as with any other sovereign and independent country; the present Secretary of State and Mr. Welles himself had, in various public addresses, stressed the fact that following our withdrawal from Nicaragua our relations with Nicaragua were in no wise different than those with any other country with which we had friendly diplomatic relations.

Dr. Sacasa thereupon appeared to acknowledge that the United States Government had no responsibility for the actions of the Guardia following the withdrawal of the United States from Nicaragua. He again requested, however, that "within the limits of the policy of the United States Government" Nicaragua might expect the friendly cooperation of the United States. Mr. Welles said that, having explained the policy of the United States towards Nicaragua and having stated the fact that under no conditions could there be any inter-

ference or intervention by the United States in Nicaragua's domestic affairs, he was happy to assure Dr. Sacasa that Nicaragua could always count upon the friendly interest of the United States, and he reiterated that it was his sincere hope that Nicaragua would be able to work out her own problems in satisfactory manner.

EDWIN C. WILSON

817.00/8324 : Telegram

The Chargé in Nicaragua (Warren) to the Secretary of State

MANAGUA, November 5, 1935—noon.

[Received 3 p.m.]

116. President Sacasa, General Somoza, newspapers and public agree that the municipal elections of November 3rd held throughout the Republic passed off quietly. Liberals won most contests and in Chontales fusion candidates of Liberals and Conservatives won. Guardia seems to have been more impartial than expected, possibly as a result of statements by the President and General Somoza. In a conversation last evening, President Sacasa spoke kindly regarding the Guardia conduct in the election. General Somoza is satisfied, claiming that 80 per cent of successful candidates are favorable to him. Reported that no elections held in Puerto Cabezas, Granada, and a few small municipalities for judicial and other reasons. Voting was light, many Liberals and Conservatives not participating. Conservative *La Prensa* complains little regarding conduct of election.

WARREN

817.00/8340 : Telegram

The Chargé in Nicaragua (Warren) to the Secretary of State

MANAGUA, December 6, 1935—10 p.m.

[Received December 7—9:40 a.m.]

123. Referring to the Legation's telegram No. 122, December 5, noon,⁹¹ I have ascertained from a reliable source this evening that S. Emiliano Chamorro has been acting as intermediary between President and Federico Sacasa and General Somoza. Chamorro has said that an agreement has been reached between the three elements; that a *constituyente* to be called as soon as the new Congress meets on December 15th will extend the term of President Sacasa for 2 years and remove the disabilities to General Somoza's being elected after that period; that in return for the Conservative support General Chamorro

⁹¹ Not printed.

is assured Conservative representation in the House and Senate on the basis of the last congressional election. According to my informant Chamorro does not expect any trouble until December 24th or 31st and then only in the event that the *constituyente* fails to extend the President's term or to remove the Somoza disabilities. Chamorro is also afraid that Somoza will not keep the tripartite agreement. In that event there would be trouble. If the Sacasas, Somoza, and Chamorro can put through their agreement, the latter believes that bloodshed will have been avoided. This telegram was written after despatch No. 1183 of today.⁹²

WARREN

817.00/8348

The Chargé in Nicaragua (Warren) to the Secretary of State

No. 1187

MANAGUA, December 10, 1935.

[Received December 16.]

SIR: Referring to the Legation's telegram No. 122 of December 5, 1935, 12 noon, and despatch No. 1183 of December 6,⁹³ in regard to the rumors of a *coup d'état* to be effected on December 8, 1935, and its telegram No. 123 of December 6, 10 p.m., in regard to a possible agreement between President Sacasa, General Somoza, and General Chamorro, I have the honor now to report that Sunday, December 8, 1935, passed quietly. It seems that there is a fair chance for continued peaceful development of the presidential campaign, if the agreement mentioned above is carried out.

During the week of December 1-7 Mr. John A. Willey, American Consular Agent at Matagalpa, was in Managua and saw General Somoza on the afternoon of December 5, 1935. General Somoza confirmed part of the information contained in the Legation's telegram No. 123, mentioned above, but declared that he would not wait longer than January, 1937, to be President. However, the Chamorro information is some 28 hours later than the Willey statement, so that there may not be any conflict, it being reported that Somoza and Don Federico had a conference after the Willey-Somoza conversation.

On December 8, 1935, I was present at a birthday celebration of Dr. David Stadthagen in his home. I met General Emiliano Chamorro during the celebration and he brought up the subject of the present political condition. The General volunteered the information that the Conservatives are going to work for peace in the present situation. I felt from what he said that the information contained in the Legation's telegram No. 123 is substantially correct.

⁹² Not printed.

⁹³ Neither printed.

The informant mentioned in telegram No. 123 advised me later that General Chamorro had indicated to him that the Conservatives will assist General Somoza even though the agreement with Dr. Sacasa is not carried out, provided that General Somoza plays fair with the Conservatives.

Respectfully yours,

FLETCHER WARREN

817.00/8346 : Telegram

The Minister in Nicaragua (Lane) to the Secretary of State

MANAGUA, December 15, 1935—3 p.m.

[Received 9:12 p.m.]

126. President Sacasa, in his address at the opening of Congress today, emphatically declined to remain in office after the expiration of his present constitutional term. He expressed hope to be able to present to the Congress for consideration during present session, trade agreement with the United States.⁹⁴

At elections held yesterday for officers of the Congress, supporters of Sacasa were triumphant. This may be interpreted as indication that present Congress is opposed to amendment of constitution to permit Somoza to succeed to the Presidency.

LANE

⁹⁴ See pp. 814 ff.

PANAMA

NEGOTIATIONS BETWEEN THE UNITED STATES AND PANAMA FOR THE REVISION OF THE TREATY OF NOVEMBER 18, 1903¹

711.1928/313a

*The Chief of the Division of Latin American Affairs (Wilson) to the
Chargé in Panama (Burdett)*

[WASHINGTON,] January 8, 1935.

DEAR MR. BURDETT: I am enclosing herewith, for your strictly confidential information, a copy of the draft of the proposed general treaty with Panama. This draft, which bears the date of December 11, 1934,² indicates in general the status of the discussions as regards this proposed treaty. I have had written into the margin in pencil certain modifications which represent proposals recently made by one side or the other, but not as yet definitely agreed upon. The draft carries notations in the margin indicating that certain provisions have been "accepted" or "deferred" for further consideration. I might add that where the notation "accepted" appears, this does not necessarily indicate definitive agreement: both the Panamanians and ourselves have had occasion, and doubtless shall have again, to go back on certain provisions which had appeared in general acceptable.

I am also enclosing six drafts of notes² which, it is proposed, we will address to the Panamanian Commissioners at time of signature of the treaty. These deal with matters which are self-explanatory. In addition to these notes, there will be others covering other matters. In general, only the draft note relating to coinage has been accepted by the Panamanians. The note on the use of hospitals, restaurants, et cetera, has not yet been submitted to the Panamanians: it is in answer to a request of theirs for writing some such phraseology into the treaty. Governor Schley³ and the War Department have been furnished in confidence the draft of the general treaty, dated December 11, 1934. Governor Schley is also informed, in general, regarding the provisions of the draft notes relating to Article II of the proposed treaty; to that part of Article III of the treaty dealing with the question of sale to ships of goods imported into the Zone; relating to the

¹ Continued from *Foreign Relations*, 1934, vol. v, pp. 581-612.

² Not found in Department files.

³ Julian L. Schley, Governor of the Panama Canal.

"labor gangs" and Article VI of the treaty; relating to the "hold for orders" business under Article III of the treaty (to which Governor Schley and the War Department strongly object, but which has been approved by the President).

We shall endeavor to keep you informed of progress and of any changes of substance in these drafts.

With kind regards [etc.]

EDWIN C. WILSON

711.1928/314 : Telegram

The Chargé in Panama (Burdett) to the Secretary of State

PANAMA, January 14, 1935—9 a.m.

[Received 1:40 p.m.]

5. President Arias before a conference of governors of Panamanian provinces on January 12th publicly announced that there would be no new treaty unless both parties could reach a satisfactory adjustment of their differences. Without naming specific critics of the administration he declared that the chief obstacle to the treaty was the attitude of the "patrioters".

He stated

"Our vital problem is our relation with the United States. It is natural at this time that we should be adversaries inasmuch as we are engaged in the discussion for a new treaty. But in Panama we have another domestic adversary, the *patriotero*. They imagine that to negotiate a new accord we must seize the hand of Secretary of State, tell him that the treaty of 1903⁴ is null, and then begin the negotiations. It is inconceivable that when we are doing all that is humanly possible, the *patrioteros* should attack us."

The speech has been given wide publicity.

BURDETT

711.1928/319 : Telegram

The Chargé in Panama (Burdett) to the Secretary of State

PANAMA, January 23, 1935—5 p.m.

[Received 7:45 p.m.]

6. The Secretary for Foreign Affairs⁵ said today that the proposed treaty draft is generally satisfactory except for article II, which in its present form is not acceptable to Panama. He feels that a treaty

⁴ November 18, 1903, *Foreign Relations*, 1904, p. 543.

⁵ Juan Demostenes Arosemena.

draft to which the Panamanian commissioners can agree will be assured of ratification at the special session of the Assembly which the President will call if the treaty is signed.

He thought the Panamanian commissioners could return to Panama sometime in February unless for any reason it should be desirable temporarily to delay the discussions, in which case they would see no objection to remaining a month longer in Washington.

BURDETT

711.1928/322

The Chargé in Panama (Burdett) to the Secretary of State

No. 585

PANAMA, January 23, 1935.

[Received January 28.]

SIR: I have the honor to submit the following notes concerning the views of the Panamanian Foreign Minister on the proposed treaty.

The President has been away at his home in the interior and I have not been able to see him. I, however, saw the Secretary for Foreign Affairs today and informally discussed the proposed treaty at some length. A memorandum of the conversation is transmitted herewith.

Respectfully yours,

WILLIAM C. BURDETT

[Enclosure]

Memorandum by the Chargé in Panama (Burdett)

PANAMA, January 23, 1935.

With reference to the proposed treaty, Dr. Arosemena said today that the negotiators were in substantial accord on every point except that referring to further acquisition of private Panamanian property by the United States for the use of the Canal. He said the Panamanians would not sign any treaty which left Panama under the threat of the grant expressed in the 1903 Treaty permitting seizure by the United States whenever it felt that further lands or waters were needed for the construction, maintenance, operation, sanitation, or protection of the Canal. He was quite emphatic in saying that in its present form this part of the draft was not acceptable to Panama. He referred again to the reported opinion of Don Luis Anderson to the effect that Costa Rica could not negotiate a boundary treaty with Panama as long as all Panamanian territory is subject to seizure for Canal purposes.

I said that the Canal might conceivably be enlarged to a point where more water was needed, and the Bayano River seemed to be

the only practical solution to this problem. I asked if anything had been suggested on either side as to describing a definitely limited portion of Panamanian territory which should alone remain subject to the acquisition expressed in the 1903 Treaty. Dr. Arosemena said the Bayano River was mentioned by Governor Schley in a conference with the treaty commissioners at Washington but that other than this River, Colonel Schley was unable to suggest what might be needed as a further grant. The Secretary then had me read the minutes of the conference between Governor Schley and the commissioners at Washington. These minutes were written in Spanish by Dr. Alfaro⁶ and couched in a somewhat aggressive and uncompromising phraseology.

It appeared from these minutes that Colonel Schley was quite unable to mention any Panamanian lands which might be needed hereafter for the Canal, or any rivers other than the Bayano. The waters of this River, he thought, could only be brought into Alhajuela Lake by many miles of canal and several tunnels through the mountains, which would probably make it practically impossible from an engineering standpoint.

Dr. Alfaro further endeavored to refute Governor Schley by quoting former Governor Burgess as to the impracticability of utilizing further Panamanian lands or waters. I gathered that Alfaro is distinctly inimical to the American contention on this point.

Incidentally, I have not yet seen Governor Schley since his return from Washington on January 20, and I have consequently not discussed any of these matters with him.

Referring to the trans-Isthmian highway, Dr. Arosemena repeated the already reported view that inasmuch as the United States wished to construct certain fortifications commanding the right-of-way, Panama would not consent, and in consequence would not build the road. He felt that the United States itself would build the road within a few years as the United States needed it more than Panama. He said that probably Panama would go ahead with certain work on the road by making a dirt road between villages, which work could later on be used in the trans-Isthmian highway.

Regarding radio, Dr. Arosemena said that there was no reason to mention radio in the proposed treaty inasmuch as Panama was already going ahead with radio development in accordance with its existing rights.

Regarding the proposed abrogation of American guarantee of Panamanian independence, Dr. Arosemena remarked that this was inserted to save the national honor, that while it meant little as far

⁶ Ricardo J. Alfaro, Panamanian Minister in the United States.

as the United States was concerned, it would establish Panamanian independence.

The Secretary was rather vague concerning any proposed provisions for regulating the commissaries. Apparently, he has not personally given deep study to these matters and was obviously ill informed on some of the details of the commissary, sales to ships, and residence in Zone controversies. He felt that the commissaries should not sell to ships at all and that their sales to ships of such articles as fuel and ships' stores was through a voluntary concession on the part of Panama and that this should be understood. I said that the United States was providing many articles to ships because Panamanian merchants could not supply them or would not do so at reasonable prices, that the United States was obligated to see that the ships transiting the Canal are provided at a reasonable price with the supplies essential to their operation, and that it could not willingly see the ships forced to pay extortionate prices. The Secretary said that this was not at all the case, that it was impossible for the Panamanians to sell to the ships because they were not given the chance, that they would compete with the commissaries on every article used by ships if they had an equal opportunity.

Referring to restrictions on residence in the Zone, I said that if Panama was going in for free trade they might like to see the number of residents of the Canal Zone largely increased, inasmuch as it would add that many more potential customers of the expanded Panamanian merchandising setup.

The Secretary said that, in his judgment, there should be a requirement that the manifests of all ships carrying goods destined for Panama should be legalized with a visa from Panamanian consuls. I did not discuss this point further. He seemed to have this matter confused with the provision that goods arriving at Zone ports and consigned to Panama shall be accompanied by Panamanian consular invoices.

The Secretary then spoke for some time about the wrongful prevention of Panamanians convicted of crimes in the Canal Zone from transiting across the Zone, and cited the hypothetical case of a Panamanian living to the west of the Canal who suddenly needed hospital treatment in Panama City and could not pass through the Zone if he had been convicted of crime there. The Secretary has spent most of his life as a criminal lawyer and judge and this matter is apparently his pet hobby. I said that such people might be provided with passes to be used in cases of emergency, but the Secretary said that passes could not be granted in an emergency; furthermore, no Panamanian should be prevented from crossing through his own country in case of need. The Secretary went into this digression at

great length and apparently feels very keenly about it. Incidentally, President Arias also once spoke to me somewhat feelingly about this matter.

The Secretary said that proposed references to sanitation administration are acceptable and that abrogation of Paragraph 3 of Article VII was an excellent thing inasmuch as United States intervention in Panama was generally uncalled for. He cited the Chiriquí occupation as especially unfortunate.

He said that reference to the payments under Article XIV of the 1903 Treaty⁷ should not be included in the proposed treaty and that corrective measures should be otherwise arranged.

He said that a reference to a corridor to Colon was inserted at the instance of President Roosevelt. He made no complaint about a proposed change in the future jurisdiction of the Madden Dam road although in previous conversations he has been obdurate on this point.

The Secretary said that the treaty as a whole was satisfactory except for the portion having to do with future grants, and that if that portion could be arranged in a manner agreeable to Panama, he thought the treaty would be signed. That President Arias would not bring a treaty to Panama which he was not certain could be ratified. . . .

He said . . . the President was sure he would be able to have the treaty ratified if it is one which he can conscientiously sign. He said further that the President would call an extra session of Congress as soon as, and if, the treaty is signed.

He thought that the Panamanian Commissioners could return to Panama some time in February unless Mr. Welles expected to take a vacation, in which case the Panamanian Commissioners would have no objection to staying over a month longer in Washington.

W[ILLIAM] C. B[URDETT]

711.1928/331

The Chargé in Panama (Burdett) to the Secretary of State

No. 613

PANAMA, February 11, 1935.

[Received February 18.]

SIR: I have the honor to report that I saw President Arias by appointment today at the Presidencia and had a long talk about the new treaty. He has been out of town and I had not seen him alone since Minister Gonzalez⁸ left Panama a month ago.

⁷ See pp. 911 ff.

⁸ Antonio C. Gonzalez, transferred from Panama to Ecuador in January 1935.

The President first asked me whether I thought the negotiations would succeed. I said there seemed to be no reason to doubt their success, given the willingness on both sides to make every practicable concession and the thorough sympathy with which the discussions were conducted. The President said he hoped the discussions would succeed and that it all depended on two subjects which had not yet been agreed upon. These two were Article II and what the President described as an obligation written in the treaty for Panama to co-operate with the United States in case of war.

I said I did not realize that this was in the draft, whereupon the President said the implication, rather than the exact language should be considered; that in case of war Panama could do nothing to assist the United States and that inclusion of this clause would merely provoke bad feeling and give the treaty opponents ground to tear up the treaty. The President evidently referred to Article XI of the draft. I said I thought the State Department would make every effort to meet Panama's wishes in the matter of phraseology. The President was quite firm in saying that the present wording was not acceptable to Panama.

. . . If there is any doubt of ratification, it would be much better not to sign the treaty at all, that if the two Governments feel they cannot get together they should at once draft a statement to give out to the press regarding the failure of the negotiations.

The President then said that he would render a disservice if he failed to say that he could not sign Article II in its present form, that he would not bring a treaty to Panama that could not be ratified, and that with the menace of Article II hanging over Panama, the people would feel that they were being sold out. He talked at considerable length on this subject, and, while he did not commit himself, I gathered the impression that he might be receptive to a compromise wherein the Panamanian territory subject to acquisition would be definitely delimited. He said that it was absurd to keep the people from Chiriquí and Darién under a threat of having their lands seized for the Canal many years from now, yet that was precisely what the draft means in its present form.

He said, referring to the suggestion that the waters of the Bayano River might some day be needed for the Canal, that another river, to the east of the Bayano, the Lagarto, might also be needed.

The President said that a note supplementing Article II had been prepared and was intended to soften the blow for Panama. He felt that this should be included in the treaty rather than as a separate note to be sent the day the treaty was signed. He said this note, however, did not meet the Panamanian aspirations.

The President said that much of the treaty discussion hinged on a question of phraseology which would mean nothing to the American

public but which meant everything to the Panamanians, that the relation between the countries was a sentimental matter to Panama but was not to the United States. He said that if the treaty is signed he will at once call a special session of Congress. Under Panamanian law, only such legislation as may be proposed by the President can be considered at a special session. He said that there would be some attacks by his political enemies, but that he thought these enemies realize that the Panamanian commissioners in Washington were working patriotically and for the good of the country, that he was surprised at the weakness of the opposition that had developed.

He said that the opponents of the treaty in Congress were not well informed; that the ones who understood it best were Crespo, Goytia and Sucre. He referred to these men as "opponents of the treaty", not as "opponents of the administration." Some of these had on the floor of the Assembly asked searching questions about the treaty. He, the President, did not know whether there had been a leak, and when the Assembly inquired as to what was being done in Washington, he told Secretary Arosemena to go before the Assembly and read the treaty draft as presented by the Panamanians at Washington. He said Arosemena did this, but that the opposition did not understand enough of the treaty to make intelligent criticism. He feels certain that a treaty which he can conscientiously have signed will be ratified without great opposition.

President Arias took occasion to say kind words for Dr. Arosemena, who, he said, was tremendously interested in the treaty conversations and who had occasionally felt that they could not be carried through to a successful conclusion.

The President said that he wanted to get the treaty through during his administration, although the good effects would not be felt until later on, that there would be an era of good feeling between the two countries after, and if, the treaty takes effect. He admitted relations between the two countries were not nearly so bad as the newspapers intimate and that they are surprisingly good, considering the opportunities for friction.

I said that he had travelled a great deal and asked him if the relations between Americans and Panamanians here on the Isthmus did not strike him as being more cordial than those between the people on opposite sides of any other international frontier he had seen. He said that was true and that one of the chief objects of his administration was to promote this cordial feeling, that only yesterday he had personally signed letters to all rural policemen urging them to treat Americans with extra consideration. . . .

He said, regarding Article III, that there were very few changes and jokingly remarked that the only people adversely affected were

the American managers of the National City and Chase Banks, and the Power and Light Company, who would lose their commissary privileges. He said that he was convinced that the Canal authorities were cooperating to the fullest of their ability in the prevention of smuggling. That the modified free trade law in Panama, he hoped, would result in a gradual cessation of complaints about the commissaries. He hoped this law would work out in a way to attract heavy immigration to Panama and increase business turnover. He thought, if the plan succeeds, there will be no further commissary trouble. He said, however, that his administration would feel the pinch of raising the funds necessary to take care of the budgetary deficit during the first few months of operation of the new law, while his successors would get the credit for the prosperity expected to result therefrom.

Doctor Arias is not, for the moment, interested in the commissary or sales to ships contentions. He said that he felt the United States wanted to meet all valid Panamanian objections to the matters treated in Article III. That all the complaints concerning the commissaries had been prompted by the merchants of Panama and Colon and never originated with the Panamanian Government.

The President remarked that it was not necessary to express in the treaty that Panama would cooperate with the United States, and cited the radio question. He said that, although the 1903 treaty did not mention radio and Panama was under no obligation to comply with American requests regarding radio control, it, however, had done so for many years through a voluntary spirit of cooperation. He said that, if the Canal should be attacked, by the Japanese for instance, Panama would obviously cooperate with the United States in its defense without any treaty obligation to do so.

Respectfully yours,

WILLIAM C. BURDETT

711.1928/330 : Telegram

The Chargé in Panama (Burdett) to the Secretary of State

PANAMA, February 12, 1935—10 a.m.

[Received 5:42 p.m.]

14. President Arias said to me yesterday that he felt he would be rendering a disservice if he refrained from making clear that he could not agree to two points in the proposed new treaty, namely, article II, and what he termed a clause providing for unlimited Panamanian cooperation with the United States in the event of war. He said that these two provisions would enable his opponents in Panama to tear the treaty to pieces.

The Legation is inclined to share the opinion of Dr. Arias that the local sentiment has become receptive to a treaty. He said that he held no doubt that a treaty which he could instruct his plenipotentiaries to sign would be ratified by the Panamanian Assembly at a special session. He felt, however, that the incorporation of the two points mentioned would enable Rivera Reyes and other refractory radicals to foment enough public sentiment against the treaty to cause its rejection, and that rather than include points so vulnerable to attack it would be preferable frankly to suspend negotiations.

The Legation feels that the objections to the present draft are possibly valid in some respects and are not made entirely with a view to extort further concessions from the United States. The Legation is not assured that President Arias would indeed sacrifice the treaty because of article II, but he appears to be in earnest. If the fate of the treaty should depend on article II, the Legation believes that the Department might well consider such modifications in the draft as would safeguard our needs rather than our rights and at the same time avoid injuring Panamanian pride.

It seems that the first sentence of article XI regarding Panamanian cooperation for the defense of the Canal might, for every practical purpose, be eliminated without appreciable detriment to our future military position on the Isthmus of Panama.

It is suggested that the proposed note relating to article II or article II itself might be modified in the sense that the rights for future acquisitions by the United States be limited specifically to "such waters as may be conveyed by their present flow to the present Canal waters and such material aid as may become needed for military works essential to the defense or protection of the Canal".

A report of the conference with the President will be forwarded by air mail.*

BURDETT

711.1928/333

The Chargé in Panama (Burdett) to the Secretary of State

No. 626

PANAMA, February 20, 1935.

[Received February 25.]

SIR: I have the honor to report that the Minister of Foreign Affairs of Panama called at the Legation this morning on business in connection with the Costa Rican boundary question, and remained to talk informally about the progress of the conversations regarding the proposed treaty.

* *Supra.*

Dr. Arosemena said that Article 2 was still the principal obstacle. He thought that a clause obligating Panama to cooperate fully with the United States in the defense of the Canal was not important, but he talked at some length concerning the prohibition against Panamanians convicted of crime in the Zone from re-entering the Zone and felt that this should be taken up in the treaty itself.

Both Dr. Arosemena and the President are apparently taking this matter very much to heart. The former today admitted that other countries might deport or prohibit an individual from entering a certain part of the country, even their own country, where they had committed a crime, but said that this could not be understood in Panama and that there was intense public sentiment against the present regulations. It may be said that the Legation feels that there is no such public sentiment against this regulation and that the sentiment is probably existing chiefly in the minds of the President and the Secretary for Foreign Affairs. Dr. Arosemena, however, this morning said categorically that they would not sign a treaty which does not remedy this complaint.

It seems a relatively unimportant question, and might be solved by allowing these convicted and deported individuals to pass through the Zone but not to remain there. This would of course be a source of trouble to the Zone authorities. It also seems highly unwise to allow convicted felons to re-enter the Zone. . . .

The Secretary did not feel that any system of trip permit would be acceptable to the Panamanians. This is a sentimental question with the Panamanians and a practical one with us. If it should be deemed necessary, it would seem that a compromise could be effected, and I gather that the Secretary would be satisfied with allowing these people unrestricted passage in transit through the Zone and would not insist on their having a right to remain there. In actual practice they might be deterred from remaining by a very heavy sentence if after deportation they should return for other than continuous passage.

The Secretary said that the Panamanians regarded the giving up of jurisdiction of the Alhajuela Road as of no importance. This is in direct contradiction to his very firm opinion expressed some months ago that Panama could not surrender this corridor.

I gathered that the Secretary was somewhat less exigent in his attitude toward Article 2 than at the last conversation reported in Despatch No. 585 of January 23, 1935. It is felt that a compromise can be worked out on this Article whereby we would maintain our treaty rights insofar as they are necessary for the future development of the Canal or for military purposes, while at the same time satisfying the Panamanian *amour propre*.

The Secretary again said if the treaty is signed it will be ratified. That Crespo, Goytía, and Sucre may oppose it but that the Administration had a majority and that any treaty the Administration would sign would be ratified by that majority plus certain other members of the former opposition who would for various reasons join with the majority.

Respectfully yours,

WILLIAM C. BURDETT

711.1928/356 : Telegram

The Minister in Panama (Summerlin)¹⁰ to the Secretary of State

PANAMA, April 23, 1935—3 p.m.

[Received 5 p.m.]

48. With reference to article II of the proposed treaty, the Secretary for Foreign Affairs today showed me projects A and B, copies of which the Legation has not yet received. The Secretary stated that both projects are unacceptable to Panama and that Minister Alfaro had an appointment with President Roosevelt tomorrow, at which time Alfaro has been instructed to protest against these proposed drafts of article II and possibly to protest against the matter of deportees being barred from reentering the Canal Zone, and against the expression "interruption" of the corridor from Colon, as mentioned in article IX (b).

The Secretary asked my cooperation in obtaining a settlement satisfactory to Panama.

SUMMERLIN

711.1928/378 : Telegram

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

PANAMA, May 11, 1935—11 a.m.

[Received 12:50 p.m.]

59. President Arias announced at a press conference yesterday that if no agreement is reached on points which Panama considers vital or of fundamental importance the proposed new United States-Panama Treaty would not be signed. He stated further that agreement had already been reached on matters of secondary importance and on some matters considered by Panama to be fundamental but that "there are others still pending in which this country is so interested that she would prefer to have no treaty than to allow that they be dis-

¹⁰ George T. Summerlin presented his credentials on March 8, 1935.

pensed with in the discussions now under way at Washington." Dr. Arias did not specify what he considered "fundamental points".

SUMMERLIN

711.1928/384 : Telegram

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

PANAMA, May 28, 1935—noon.

[Received 1:56 p.m.]

65. The Minister for Foreign Affairs stated to me this morning that practically everything had been agreed upon in the proposed general treaty except the question of deportees which, he remarked, his Government would insist upon being taken care of in the treaty.

SUMMERLIN

711.1928/400 : Telegram

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

PANAMA, July 17, 1935—4 p.m.

[Received 7:49 p.m.]

89. Your 31, July 16, 2 p. m.¹¹ Minister for Foreign Affairs informs me that Panamanian delegation has not been further instructed in regard to the proposed treaties because of the disturbed situation here which the Legation has reported to the Department.

In view of the preoccupation of President Arias and the Cabinet crisis he may not be able to receive me until the 19th.

SUMMERLIN

711.1928/402 : Telegram

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

PANAMA, July 19, 1935—5 p.m.

[Received 8:09 p.m.]

92. In an interview with President Arias this afternoon he confirmed the statement made to me by the Minister for Foreign Affairs on the 17th as to the reason for the delay in transmitting additional instructions to the Panamanian delegates, as reported in the Legation's telegram No. 89, July 17, 4 p.m.

President Arias stated that article VII of the proposed radio convention was not acceptable and he added that he had "face saving"

¹¹ Not printed.

objections to articles VIII and X. He promised that additional instructions would be sent to the Panamanian delegates tonight or tomorrow morning or on Monday next at the latest.

SUMMERLIN

711.1928/4243

Press Release Issued by the Department of State, August 16, 1935

ANNOUNCEMENT RELATIVE TO U. S.-PANAMA TREATY NEGOTIATIONS

At a meeting held yesterday at the State Department the Commissioners of Panama, Dr. Ricardo J. Alfaro and Dr. Narciso Garay, and Assistant Secretary of State Sumner Welles, authenticated various texts which have been agreed upon in connection with the treaty¹² and conventions¹³ which for some time have been under negotiation between the Governments of Panama and the United States. The agreements cover the main questions which have been the subject of negotiation.

It is the intention of the Panamanian Commissioners to proceed to Panama at the call of their Government in order to report in detail concerning the accomplishments of the negotiation. Assistant Secretary Welles is shortly leaving Washington on vacation. Upon the return to Washington of the Panamanian Commissioners and of Assistant Secretary Welles, it is expected that the various agreements reached will be taken up again with a view to their formal conclusion.

711.1928/426

Memorandum by the Secretary of State

[WASHINGTON,] August 29, 1935.

The Minister of Panama called to say goodbye before leaving. He referred to two points that had not yet been agreed on between our two governments and which his government was pressing as a part of the pending treaty revision. One of these related to prohibitions against some five Panamanians, which kept them from entering the

¹² Treaty of Friendship and Cooperation signed at Washington on March 2, 1936; ratifications exchanged July 27, 1939; Department of State Treaty Series No. 945.

¹³ The conventions referred to were those for the regulation of radio communications, the transfer to Panama of two naval radio stations, and the trans-isthmian highway. The conventions were all signed March 2, 1936; ratifications of the convention on the trans-isthmian highway were exchanged July 27, 1939 (Treaty Series No. 946), but the other conventions were not approved by the U. S. Senate. For texts of the radio communications convention and the convention providing for the transfer of two naval radio stations, see Senate Executive Reports 6 and 7, 76th Cong., 1st sess.

Canal Zone or United States territory without risk of being confined in prison on account of previous experiences. The Minister insisted that this was an extreme policy and had peculiarly bad effects upon the masses in the territory of Panama. The other point raised was that a provision should go in the treaty assuring to Panamanian citizens employed in the Canal Zone equality of pay and of general treatment. He said that out of more than 3,000 on the gold roll, there were only 37 citizens of Panama employed. He said that we had regulations and general standing orders about equality of pay and of treatment of Panamanian citizens and that this was the way it worked out in practice; hence the insistent demand that a suitable formula be inserted in the treaty.

C[ORDELL] H[ULL]

711.1928/436 : Telegram

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

PANAMA, October 1, 1935—3 p.m.

[Received 11:40 p.m.]

136. Referring to the last paragraph of article 4 of the proposed treaty the Minister for Foreign Affairs today suggested to me that I endeavor to arrange a conference at the Legation in Panama between Drs. Alfaro and Garay and representative officers from the Panama Canal.

The Governor tells me that of the officers of the Panama Canal best informed on this subject; namely, the Executive Secretary, the Counsel, and Chief of Police, the first and last are on leave and the second departs on leave tomorrow. The Governor, however, will have a complete memorandum prepared for each conference or conferences, if any take place.

Inasmuch as Drs. Alfaro and Garay expect to sail for the United States next week the Department's telegraphic instruction as to whether to hold conversations on this subject at the Legation are requested.

SUMMERLIN

711.1928/436 : Telegram

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

WASHINGTON, October 3, 1935—5 p.m.

59. Your 136, October 1, 3 p.m. The last paragraph of Article IV of the proposed general treaty is satisfactory to the Department. Although acceptable to the Commissioners, the Minister for Foreign

Affairs has objected on the grounds that "police regulations" might be interpreted to mean that a permit will be required in certain cases. This belief has not been disputed by the Department. The Minister has indicated that he will withdraw his objection to this paragraph as drafted if there is added to it a provision to the effect that the permit will be of a permanent character, to be revoked, of course, in case of non-compliance with the conditions set forth therein. This suggestion for permanent permits seems to offer a possible way of handling this matter but we have frankly stated that we cannot agree to the inclusion of a provision in the treaty that would grant to all deportees a permanent permit since in some few cases these deportees may be persons of a dangerous or degenerate character, et cetera, for whom special arrangements would obviously be required. We have stated our willingness, however, to endeavor to work out an arrangement along the lines suggested through administrative agreement.

Within the broad limits of the Department's position as set forth above, you may hold the conference. Even within the bounds of our position, no agreements should be tentatively arrived at without consultation with the Department. Please forward by airmail résumé of your discussions.

HULL

711.1928/437 : Telegram

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

PANAMA, October 5, 1935—9 a.m.

[Received 11:20 a.m.]

139. Your 59, October 3, 5 p.m. The Minister for Foreign Affairs stated yesterday that inasmuch as the Panaman Commissioners leave for the United States on October 7th, there is not now sufficient time to hold the discussions he had suggested.

SUMMERLIN

711.1928/448a : Telegram

The Secretary of State to the Chargé in Panama (Flewer)

WASHINGTON, October 25, 1935—noon.

65. The Panamanian Commissioners have suggested three amendments to Section 7, Article III, of the General Treaty, in substance as follows:

(1) That licensed Panamanian wholesalers and suppliers be permitted to board vessels transiting the Canal in order to secure orders for victualing vessels.

(2) That duly authorized Panamanian launches be permitted to moor alongside vessels transiting the Canal for the purpose of offering goods for sale or delivering orders, and

(3) That the Canal Zone authorities collect on sales to ships a surcharge of 25 percent over the prices at which goods are sold to employees of the Canal and the railroad by the commissaries.

It was agreed with the Commissioners that it would be a useful first step if these matters were discussed between the Legation and appropriate Zone authorities and the proper Panamanian officials, just as was the question of the boarding of ships by Panamanian immigration authorities. The Commissioners were informed, moreover, that it seemed preferable not to treat such details in the General Treaty but to handle them administratively in conformity with the broad principles already agreed upon and set forth in Section 7 of Article III. You should therefore be prepared to hold discussions when approached by the Panamanian authorities, endeavoring to work out a satisfactory agreement through administrative measures.

As to number 3 of the Panamanian suggestions, it was, of course, pointed out that the commissaries are already assessing surcharges on "sea stores" and "articles of other classes".

HULL

711.1928/448a Suppl. : Telegram

The Secretary of State to the Chargé in Panama (Flewer)

WASHINGTON, November 9, 1935—1 p.m.

73. Department's telegram No. 65, October 25, noon. Has the Legation been approached by Panamanian authorities with a view to discussing the points listed in the Department's telegram referring to sales to ships? If so, please telegraph substance of any such discussions and forward complete report by airmail.

HULL

711.1928/452 : Telegram

The Chargé in Panama (Flewer) to the Secretary of State

PANAMA, November 11, 1935—9 a.m.

[Received 11:05 a.m.]

159. Referring to the Department's telegram No. 73, November 9, 7 [1] p.m. The Legation has not been approached, formally or informally, by Panamanian authorities in the matter referred to.

In conversation with Minister of Foreign Affairs November 8th he remarked in passing that he had latterly been so occupied with

domestic political affairs that he had been unable to devote himself to treaty negotiations. No other mention of the treaty has been made to me at any time, and in view of the Department's instructions I have not, of course, taken the initiative in suggesting discussions.

FLEXER

711.1928/475 : Telegram

The Chargé in Panama (Flexer) to the Secretary of State

PANAMA, December 14, 1935—noon.

[Received 5:47 p.m.]

169. 1. Referring to Department's telegram No. 65, October 25, noon. First meeting scheduled December 16.

With reference to paragraph 1-C of memorandum of points agreed upon by the President of the United States and President Arias, transmitted by the Department's instruction No. 3, October 20, 1933,¹⁴ confirmation is requested of my view that the suggested surcharge would be based upon retail commissary prices to employees, which are, I am informed, identical to prices of quantity sales to ships. Canal Zone representatives have given reason for anticipating contention that basis of surcharge is not established and might equally refer to landed costs.

"Other articles" to which surcharge might apply are construed to be embraced in interpretation given in minutes of 14th meeting, paragraph 2. Referring first paragraph Department's telegram of December 9, 7 [5] p.m.¹⁵ First meeting scheduled December 17, representatives of Commanding General but not of governor attending. Please refer to Legation's despatch No. 51, April 25, 1935.¹⁵

FLEXER

711.1928/476 : Telegram

The Chargé in Panama (Flexer) to the Secretary of State

PANAMA, December 16, 1935—2 p.m.

[Received 7:29 p.m.]

170. Referring to Department's telegram No. 65, Oct. 25, noon.

1. Discussion held this morning in exceptional spirit of amity.

With reference to first numbered paragraph, Panaman representatives admitted that such sales facilities are now extended local merchants, Canal representatives pointing out that commissary employs no runners.

¹⁴ *Foreign Relations*, 1933, vol. v, p. 865.

¹⁵ Not printed.

2. There was unanimity of agreement between Panamans and Canal Zone that bum-boating, or offering goods for sale from small craft alongside vessels in harbor or transiting, is undesirable.

There is as yet no agreement on delivery by private launches. Canal Zone representatives point out that few Panaman merchants have taken advantage of the present privilege of operating private launches because of the economy of use of Canal facilities, the same charge being made for commissary and private deliveries; moreover, it is contemplated to prohibit the operation of private commercial launches in Canal Zone waters. Panamans, while admitting equality of the present official launch rates, require relief from wharfage dues not assessed against Canal Zone launches and assurances for protection against possible future inequalities that operation of private launches for delivery will continue to be permitted.

3. Panamanian representatives have not been insistent and appeared impressed by percentage spread between landed costs and retail commissary prices charged on quantity sales to vessels. In the absence of Foreign Office pressure, it is hoped that agreement can be reached without surcharge on presentation of commissary statistics.

Referring to draft of section 7, article III, substitution of "arriving at terminal ports of the Panama Canal" for "transiting" was suggested.

FLEXER

711 :1928/475 : Telegram

The Secretary of State to the Chargé in Panama (Flexer)

WASHINGTON, December 17, 1935—2 p.m.

83. Legation's telegram No. 169, December 14, noon. The surcharge of 25 percent referred to in paragraph 1(c) of the memorandum itemizing the points agreed upon by Presidents Roosevelt and Arias is on the basis of retail commissary prices to employees. The Department understands that this 25 percent surcharge over retail prices to employees is at present being imposed by the commissaries when such articles, that is, "articles of other classes" as defined in the minutes of the 14th meeting, are sold to ships. The Panamanian Commission has requested that this surcharge of 25 percent over retail prices to employees be also applied to sales to ships of articles classed as "sea stores", but the Department has made no commitments in this respect beyond the general policy outlined in Article III, Section 7, of the proposed treaty, and in the clarifying exchange of notes to accompany

the treaty, as forwarded to the Legation in the Department's instruction No. 65 of September 4, 1935.¹⁶

The 25 percent surcharge referred to above is not to be confused with the surcharge of 25 percent on landed cost (plus 5 percent procurement surcharge) which the Department is informed is now being applied by the Panama Canal Storehouses to sales to ships of goods classed as "ships stores". Since the United States is reserving the right to continue to sell "ships stores" as at present, no discussion of such sales appears necessary.

HULL

711.1928/478a : Telegram

The Secretary of State to the Chargé in Panama (Flewer)

WASHINGTON, December 18, 1935—4 p.m.

84. The Panamanian Commissioners have inquired whether it would be possible for the Canal Zone authorities to permit trucks carrying merchandise from the cities of Colón and Panama to carry such merchandise direct to the Cristobal and Balboa piers and docks without the necessity of unloading the trucks at some warehouse for transportation by other means to the docks. The Commissioners were supplied with the information contained in a letter dated December 4, 1935, from the Governor of the Panama Canal to the Panama Canal office in Washington, pointing out the difficulties which would be involved in such a procedure, and it was decided that any further discussions which might take place regarding this matter be held in Panama. In the event that the Panamanian Government should bring this matter to the attention of the Legation, you should be prepared to discuss it with the Panamanian officials and the appropriate Zone authorities.

HULL

711.1928/478 : Telegram

The Chargé in Panama (Flewer) to the Secretary of State

PANAMA, December 19, 1935—2 p.m.

[Received 7:20 p.m.]

173. Referring to Department's telegram No. 65, October 25, noon, and Legation's telegram No. 170, Dec. 16, 2 p.m. At second meeting held this morning note transmitted by Department's instruction No. 65, September 4,¹⁶ was read to delegates.

¹⁶ Not printed.

Agreement was reached that the question of launch deliveries will be disposed of by the addition of a paragraph to the note assuring merchants residing in Panama facilities of Panama Canal launch service under equal conditions with commissaries.

The question of commissary sales is still under discussion. The Panamanian Delegates are disposed to find the treaty section acceptable as drafted, with the modification suggested in the last paragraph of the Legation's telegram No. 170, when taken in conjunction with the note, with the additional paragraph above suggested.

The Canal Zone delegates, however, find inconsistency between paragraph 1, proposing continuance of sales of "sea stores" and paragraph 3, proposing voluntary withdrawal under certain conditions. Moreover, they fear that constant friction and press attack will inevitably result in the administrative application of the general policy stated in the latter, and seek to avoid such difficulties by simple definite commitment that such sales to vessels will not be made at prices lower than retail commissary prices to employees. Such prices are said to afford ample margin of profit to private wholesalers.

I am sensitive of their viewpoint in view of the political capital made of relations with the Canal Zone. Since "articles of other classes" represent a dwindling percentage of commissary sales to vessels, I believe it desirable to limit the field of possible contention to this category. It is accordingly suggested that I be authorized to press for agreement by insertion in paragraph 1 after "its voyage," of the equivalent of "will be sold at prices not lower than the retail prices at which like articles are sold to employees of the Panama Canal; articles" the remainder of the paragraph to be unchanged. All references to "sea stores" to be eliminated from paragraph 3.

Referring to Department's telegram No. 83, Dec. 17, the surcharge of 25% on "articles of other classes" affects less than 7% of commissary sales to vessels. Next meeting Dec. 23.

FLEXER

711.1928/481 : Telegram

The Chargé in Panama (Flexer) to the Secretary of State

PANAMA, December 23, 1935—1 p.m.

[Received 8:55 p.m.]

177. Referring to Department's telegram No. 65, Oct. 25, noon, and Legation's telegram No. 173, Dec. 19, 2 p.m., third meeting held this morning. Panamanian delegates will study and report Dec. 26 on two alternative drafts of last sentence of third paragraph of proposed note:

- (1) Fixing commissary prices to vessels of "sea stores" at retail price to employees with commitment to voluntary restriction of sales only in respect to "articles of other classes"; and,
- (2) Fixing "sea stores" prices as above and applying surcharge of 25% to "articles of other classes" without mention of voluntary refrainment.

It is learned that Panamanian delegates are seeking telegraphic instructions from Alfaro.

FLEXER

711.1928/485 : Telegram

The Chargé in Panama (Flexer) to the Secretary of State

PANAMA, December 28, 1935—noon.

[Received 4:37 p.m.]

181. Referring to Legation's telegram No. 177, December 23, 1 p.m. No progress at fourth meeting yesterday. Panaman representatives again admitted fairness of the present treatment in respect to commissary sales prices, but are hesitant in view of insistence of Colon merchants, to subscribe to a formula assuring continuance in future. It is possible that agreement may be reached by restricted surcharge (less than 25 percent) on perishable foodstuffs.

FLEXER

711.1928/485 : Telegram

The Secretary of State to the Chargé in Panama (Flexer)

WASHINGTON, December 31, 1935—noon.

88. Your telegram 181, December 28, 12 noon. As set forth in the penultimate sentence of the Department's telegram 65 of October 25, noon, the discussions in Panama are being held in an endeavor to work out a satisfactory agreement through administrative measures. The Department does not desire further to modify the wording of Article III or of the note relating thereto, and you should accordingly endeavor to avoid any discussions contemplating any such modifications. If the Panamanian representatives make any specific complaint regarding any sales of "sea stores" by the commissaries at prices which are alleged not to afford Panamanian merchants "fair opportunity to sell on equal terms", the Department desires to be informed thereof, as well as of the views of the Canal Zone representatives in regard to any such sales.

HULL

**OBJECTIONS BY PANAMA TO RECEIVING PAYMENT OF PANAMA
CANAL ANNUITY IN DEVALUED DOLLARS ¹⁸**711.1928/318²*The Panamanian Legation to the Department of State***AIDE-MÉMOIRE**

At a meeting held at the State Department on Friday, the 11th of January, the Minister of Panama brought up the question of the payment of the annuity stipulated in the treaty between Panama and the United States, of November 18, 1903.¹⁹

Dr. Alfaro adverted to the fact that difficulties had arisen which have prevented up to this time the payment of the annuity which fell due February 26, 1934, and stated that the difficulties will be increased by the fact that a new payment will fall due within some five weeks from now, that is to say, on February 26, 1935.

Dr. Alfaro stated that he believes the United States is in a position legally to make this payment as claimed by Panama, and in this connection he submitted the following considerations:

The treaty of November 18, 1903, stipulated the payment of the annuity in United States dollars because on that date the Republic of Panama had not yet adopted a Constitution, was not politically reorganized, and therefore did not have a currency system of its own. The currency then circulating in Panama was the unstable Colombian currency, which could be no sound basis for a perpetual agreement and which, of course, had to be replaced in time by the new Nation's own currency.

Subsequently, on June 20, 1904, Panama and the United States entered into a monetary agreement,²⁰ which is still in force, articles I and II of which read as follows:

"I. That the monetary unit of the Republic shall be a gold peso of the weight of one gram, 672 milligrams, and of nine hundred one-thousandths fineness, divisible into one hundred cents, to be issued as and when considered by the Republic necessary or convenient for its requirements.

"II. That the present gold dollar of the United States of America, and its multiples, shall also be legal tender in the Republic of Panama for its nominal value, as equivalent to one gold peso of the Republic."

The gold peso of Panama was called Balboa by the Currency Act of 1904. As may be seen, by reason of this convention the Dollar and the Balboa became one and the same thing and therefore it may be

¹⁸ Continued from *Foreign Relations*, 1934, vol. v, pp. 612-626.

¹⁹ *Ibid.*, 1904, p. 543.

²⁰ For Spanish text, see República de Panama, *Memoria Presentada a la Asamblea Nacional de 1906 por el Secretario de Gobierno y Relaciones Exteriores* (Panama, Tip. de Torre é Hijos, 1907), p. 252.

assumed that the payment of the annuity agreed upon in Dollars was for all practical purposes an obligation agreed upon in Panamanian Balboas.

It would be entirely within the reality of facts for the two countries to agree that after June 20, 1904, the obligation of the United States to pay the annuity in U. S. dollars became an obligation payable in Balboas of the weight and fineness defined by the Panama law and by the Monetary Agreement, inasmuch as their weight and fineness was equal to that of the contemporary United States dollar.

By such an agreement, which would make payment of the Canal annuity a payment in foreign currency, the difficulties encountered up to the present would be avoided by the application of the provision of the Budgetary Law of the United States relative to the payment of obligations contracted by international treaties or conventions, wherein it is provided that the corresponding appropriations are made

“together with such additional sums, due to increases in rates of exchange as may be necessary to pay in foreign currencies the quotas and contributions required by the several treaties, conventions, or laws establishing the amount of the obligation for the fiscal years 1934 and 1935”.

WASHINGTON, January 14, 1935.

711.1928/318.3

The Panamanian Legation to the Department of State

SUPPLEMENTARY AIDE-MÉMOIRE

Supplementing the statements contained in the *Aide-Mémoire* of January 14th on the question of the Canal annuity, the Minister of Panama begs to call the attention of the State Department to the facts reported in the *Evening Star's* edition of January 15th, in connection with the cases awaiting the decision of the Supreme Court of the United States on the question of the abolition of the gold clause in private contracts.

It is stated in the above mentioned paper that “the Philippine currency act of last June 19²¹ appropriated money to pay the islands the dollar profits accruing to its gold deposits in this country through devaluation.”

With reference to this point, it is further stated :

“Angus MacLean, assistant solicitor general, during his argument before the court referred to the Philippine act. He contended that while the United States reimbursed the islands, this action did not

²¹ 48 Stat. 1115.

commit the Government to a recognition of the right of individuals or corporations to demand gold which was on deposit in this country.

MacLean said it was an act of amity, in recognition of the semi-sovereignty of the Philippines and was to aid that country in placing itself on an independent footing."

Assuming the above quoted reports to be exact, the Minister of Panama submits that if the measures before referred to have been adopted for the benefit of the Philippine Islands as "an act of amity in recognition of the semi-sovereignty of the Philippines", it would be most appropriate for the United States as an act of amity toward a sovereign Republic with which the United States has such special and close ties, to adopt some other measure whereby the Republic of Panama may immediately receive in full the amount of the annual compensation agreed upon by the Isthmian Canal Convention of 1903.

WASHINGTON, January 16, 1935.

711.1928/318²²

The Chief of the Division of Latin American Affairs (Wilson) to the Panamanian Minister (Alfaro)

WASHINGTON, January 21, 1935.

DEAR DOCTOR ALFARO: The suggestion which you made at our last meeting in the State Department on Friday, January 11, regarding the payment of the annuity, and which was the subject of your *aide-mémoire* of January 14, 1935, has been carefully considered.

The suggestion as I understand it is, in brief, that as there was no strictly Panamanian currency at the time the Canal annuity payments were agreed upon in the treaty of November 18, 1903, the use of the word "dollar" at that time might now be construed as referring to what might be termed the "successor" of the dollar in Panama, to wit, the balboa. Overlooking the very minor difference in the gold content of the balboa and the old dollar, I am advised that the suggestion that the dollar may therefore be considered one of the "foreign currencies" referred to in the Appropriation Act passed last year, could not be justified under existing law in this country. While it is possible that reference to dollars made before the adoption by Panama of her own currency might be construed as reference to balboas under Panamanian law, nevertheless, the dollar remains, and must be so regarded, as a domestic currency under United States law.

I venture to recall the suggestion made on various occasions by Mr. Welles²² when we have discussed the question of the annuity, namely,

²² Sumner Welles, Assistant Secretary of State.

that the Government of Panama consider accepting the payment as tendered on February 26, 1934, as a payment "on account", with reservation of all rights in the matter. In this connection, I remember that at our last meeting on January 11 you mentioned tentatively the possibility of considering such an arrangement, if in an exchange of notes reference could be made to the provisions agreed upon in the proposed treaty relating to the annuity payments. I should be happy, if it meets with your approval, in order to gain time and while awaiting the return of Mr. Welles, to explore further with you the possibilities of working out some such arrangement as that mentioned.

I am [etc.]

EDWIN C. WILSON

711.1928/3191

The Panamanian Minister (Alfaro) to the Chief of the Division of Latin American Affairs (Wilson)

[Translation]

WASHINGTON, January 22, 1935.

DEAR MR. WILSON: I acknowledge receipt of your kind communication dated yesterday whereby you are so good as to advise me that the subject of which I treated in my *aide-mémoire* of the 14th day of the current month was duly considered, and that it has been stated to you that in accordance with the laws of the United States the provisions of the budget law relating to the payments which must be made in foreign currency could not be applied, by analogy, to the payment of the annuity stipulated in the Canal Treaty.

With reference to the suggestion, repeated several times, that the Government of Panama accept the payment in the manner offered on February 26, 1934, "on account" and with reservation of all its rights, I must advise you that, after giving the subject due consideration, my Government has reached the conclusion that it does not comport with its interests to accept payment in that manner, and that an endeavor should be made to arrive at a complete and definitive solution on this subject.

At the meeting which we Panamanian Commissioners held with representatives of the Department of State on the 11th day of the present month, I referred to the fact that Panama could not agree to accept a payment on account because the United States was refusing to recognize the specific obligation of paying the balance which would bring up the total payment to the present equivalent of 250,000 gold dollars of the weight and fineness in force until the 31st of January, 1933, and I suggested that if in an exchange of notes reference was made to what was agreed upon in the negotiations relating to the payment of the annuity, possibly the difficulty could be obviated but on

my Government's measuring and weighing all the circumstances, the conclusion expressed above was arrived at.

I note that in your letter you make no reference to the additional *aide-mémoire* dated on the 16th day of the current month in which I referred to what was provided regarding the deposits made in the United States by the Government of the Philippine Islands and I repeat the opinion that just as that measure was adopted in favor of the Philippine Islands as an "act of friendship in recognition of their semi-sovereignty" so also the United States could, as an act of friendship towards a sovereign Republic with which it has such strong and special bonds, adopt some other measure which would permit Panama to receive the total amount of annual compensation stipulated for in the Canal Treaty without subjecting such payment to the inevitable delays and contingencies of the negotiations in course for the conclusion of a new treaty regulating the relations created by the pact of 1903.

I am [etc.]

R. J. ALFARO

711.1928/318²a

The Chief of the Division of Latin American Affairs (Wilson) to the Panamanian Minister (Alfaro)

WASHINGTON, January 24, 1935.

DEAR DOCTOR ALFARO: Thank you for your letter of January 22, in reply to my letter of January 21, on the subject of the annuity. I have noted the statement of the views of your Government regarding the suggestions which have been made in relation to acceptance of the payment tendered on February 26, 1934, as a payment "on account" with reservation of all rights in the matter, and with reference made in an exchange of notes to the provisions agreed upon in the proposed treaty regarding the annuity.

With regard to the supplementary *aide-mémoire*, dated January 16, 1935, in which you call attention to the treatment accorded funds deposited by the Philippine Islands in the United States, I can only assure you that it is our earnest desire to agree with you upon a method for the settlement of the annuity question in a manner wholly satisfactory to our two Governments. As you know, it has seemed to us, after mature consideration of all phases of the question, that the only feasible way of accomplishing this end is to make appropriate provision for the payment in the treaty under negotiation; we are, with you, bending every effort to work out a satisfactory solution along such lines, and entertain confident hope that this may be effected.

Sincerely yours,

EDWIN C. WILSON

810.154/747

*Memorandum by the Chief of the Division of Latin American Affairs
(Wilson)*

[Extract]

[WASHINGTON,] February 2, 1935.

3) Dr. Alfaro then spoke of the question of the Panama Canal annuity, the next payment of which would be due on the 26th of this month. He referred to the recent correspondence he had had with me on this subject and again brought up the matter of action taken by Congress to return to the Philippine Islands the full value of the currency reserve which the Islands had held in this country prior to the devaluation of the dollar. We discussed this question in friendly fashion at considerable length, covering the ground already familiar. At the end of our discussion I said that I still felt that the only feasible way in which we could meet Panama's desires—and we had already indicated clearly our wish to meet those desires—was by including appropriate provision to that effect in the treaty we were endeavoring to negotiate. I said, however, that I would be glad to discuss with the Secretary again Dr. Alfaro's suggestion that without waiting for the conclusion of the treaty consideration be given to the introduction of specific legislation authorizing the payment of the annuity in an amount of present dollars equivalent to the stipulated amount in old dollars. I said that I would advise the Minister later after I had had an opportunity to talk with the Secretary.

EDWIN C. WILSON

711.1928/339

*The Panamanian Minister (Alfaro) to the Secretary of State*²³

MEMORANDUM

The Minister of Panama presents his compliments to His Excellency the Secretary of State and has the honor to submit to his learned consideration the following representations:

Since February the 26th, 1934, there have been numerous exchanges of views between this Legation and the Department of State in connection with the payment by the United States to the Republic of Panama of the annuity stipulated in the Article XIV of the Treaty of November 18th, 1903. On such a date the Department tendered pay-

²³ A copy of this memorandum was transmitted to the Attorney General by the Acting Secretary of State on February 28.

ment of the annuity by a check in the amount of \$250,000.00 legal currency of the standard of value established by proclamation of the President of January 31st, 1934,²⁴ a payment which the Republic declined to accept in view of the fact that the obligation of the United States, as specifically expressed in the treaty, was to pay *in gold coin of the United States* of the standard of value existing at the time the treaty was signed.

On February 28th, 1934, the Legation, after a conference of the Minister with representatives of the State Department, the Treasury Department and the Justice Department, handed the State Department a memorandum²⁵ containing 25 propositions which embodied the substance of the arguments he had advanced in behalf of his Government, in support of the right claimed by Panama to receive in gold coin of the standard of value existing in 1903 the amount of the annuity stipulated in the Canal treaty.

The memorandum in reference has not been answered up to the present but in the course of conversations regarding this matter, the authorities of the State Department have held the view that payment of the annuity could not be made in gold because of "legal obstacles". These legal obstacles were, apparently, those encountered in the Joint Resolution of Congress of June 5th, 1933, 48 Stat. 113 [112], whereby it was declared that provisions requiring "payment in gold or a particular kind of coin or currency" were "against public policy" and provided that "every obligation, heretofore or hereafter incurred, whether or not any such provision is obtained therein," shall be discharged "upon payment, dollar for dollar, in any coin or currency which, at the time of payment is legal tender for public or private debts".

As the Legation understood, the Government felt bound by the letter of the above mentioned Joint Resolution of Congress, in spite of the argument repeatedly and insistently advanced by the Republic of Panama, that such a provision could not be applicable in the case of obligations towards another nation, on which the domestic laws of the United States are not binding.

The situation, however, has been clarified by the Supreme Court of the United States by means of the opinion read by Chief Justice Hughes in the Liberty Bond case brought by John M. Perry.²⁶ In the said opinion the Supreme Court, represented by a majority of its members, made the declarations hereinafter quoted, by which it is now judicially established that the scope of the above mentioned Resolution of Congress cannot affect the obligation of the United States to pay in gold coin the Canal annuity.

²⁴ 48 Stat. 1730.

²⁵ *Foreign Relations*, 1934, vol. v, p. 620.

²⁶ 294 U. S. 330.

In regard to point 1, of the decision, on "The import of the obligation", the Court says:

"This obligation (the obligation to pay in United States gold coin) must be fairly construed. The 'present standard of value' stood in contradistinction to a lower standard of value. The promise obviously was intended to afford protection against loss. That protection was sought to be secured by setting up a standard or measure of the Government's obligation. We think that the reasonable import of the promise is that it was intended to assure one who lent his money to the Government and took its bond that he would not suffer loss through depreciation in the medium of payment."

Referring to point 2 of the opinion on "The binding quality of the obligation", the Court says:

"The question is whether the Congress can use that power so as to invalidate the terms of the obligations which the Government has heretofore issued in the exercise of the power to borrow money on the credit of the United States". . . . "The Government seems to deduce . . . that it is free to ignore that pledge and alter the terms of its obligations in case a later Congress finds their fulfillment inconvenient." . . . "The contention necessarily imports that the Congress can disregard the obligations of the Government at its discretion and that when the Government borrows money the credit of the United States is an illusory pledge."

"We do not so read the Constitution. [. . .] "To say that the Congress may withdraw or ignore that pledge is to assume that the Constitution contemplates a vain promise, a pledge having no other sanction than the pleasure and convenience of the pledger. This Court has given no sanction to such a conception of the obligations of our Government."

"The binding quality of the obligations of the Government was considered in the Sinking Fund Cases, 99 U. S. 700, 718, 719. . . . "The Court took occasion to state emphatically the obligatory character of the contracts of the United States. The Court said: 'The United States are as much bound by their contracts as are individuals. If they repudiate their obligations, it is as much repudiation with all the wrong and reproach that term implies, as it would be if the repudiator had been a State or a municipality or a citizen.'[""]

"When the United States with constitutional authority, makes contracts, it has rights and incurs responsibilities similar to those of individuals who are parties to such instruments." [. . .] "No doubt there was in March, 1933, great need of economy. . . . But Congress was without power to reduce expenditures by abrogating contractual obligations of the United States. To abrogate contracts in the attempt to lessen government expenditure would not be the practice of economy, but an act of repudiation."

"The fact that the United States may not be sued without its consent is a matter of procedure which does not affect the legal and bind-

ing character of its contracts. While the Congress is under no duty to provide remedies through the courts, the contractual obligation still exists and, despite infirmities of procedure, remains binding upon the conscience of the sovereign."

"The Fourteenth Amendment in its fourth section, explicitly declares: 'The validity of the public debt of the United States, authorized by law . . . shall not be questioned.' . . . We regard it (this provision) as confirmatory of a fundamental principle which applies as well to the Government bonds in question, and to others duly authorized by Congress, as to those issued before the amendment was adopted. Nor can we perceive any reason for not considering the expression 'the validity of the public debt' as embracing *whatever concerns the integrity of the public obligation.*"

Now, if these opinions of the highest tribunal of the United States as to the constitutional meaning and scope of the Joint Resolution of June 5, 1933, are applicable to cases where the obligation exists as between the Government of the United States and private persons under its political jurisdiction, it is self-evident that there is a clearer and stronger reason for applying the principles and criterion stated in the above quoted passages, to international obligations assumed and existing in regard to other nations.

On the 26th, of the present month, the Canal annuity will again fall due and on that date two annuities would remain unpaid if measures were not taken by the Government of the United States to make payment in gold coin to the Republic of Panama, as stipulated in the Treaty of 1903. The decision of the Supreme Court makes it unquestionable that there is nothing which prevents the United States from making such payment in gold to the Republic of Panama and obviously there is nothing which can prevent the Republic from accepting such gold payment, subject of course to such pledges as the Republic has heretofore made in regard to the proceeds of the Canal annuity, which the Republic intends strictly to fulfill. The Republic of Panama will have to decline acceptance of payment if it is tendered in the present legal currency, as it was compelled to do on March 2, 1934, and it seems evident that the rejection of proffered payment, if not tendered in gold, after the recent decision of the Supreme Court of the United States, would have an effect which it is highly desirable to avoid.

In view of the above stated considerations the undersigned Minister of the Republic of Panama desires to stress the hope of its Government that appropriate measures will be taken by the Government of the United States to make payment in gold coin, as stipulated

in Article XIV of the Treaty of 1903, of the two annuities due February 26, 1934 and February 26, 1935.

WASHINGTON, February 21, 1935.

711.1928/341

*Memorandum by the Chief of the Division of Latin American
Affairs (Wilson)*

[WASHINGTON,] February 25, 1935.

Dr. Alfaro, Minister of Panama, came in at my request in order to discuss the Canal annuity matter. I said that following my last conversation with him we had at once taken up with the Treasury and the Department of Justice the question raised by his Government whether the recent opinions of the Supreme Court in the so-called gold clause cases would not permit this Government to make payment of the annuity in gold dollars of the 1904 value. I said that the question of the effect of the Supreme Court opinions on the Canal annuity question was under careful study by all appropriate authorities of this Government, but that a decision had not as yet been reached. In view of the fact that the annuity payment is due tomorrow, February 26, I said that we would be obliged to transmit a check for \$250,000 to the Fiscal Agent of Panama in New York, which is the payment authorized in the current Appropriation Act. I said that I appreciated the suggestion Dr. Alfaro had made in conversation with me that an agreement might be reached between the two Governments that pending the conclusion of our study of the matter the United States would not be regarded in default if it failed to transmit the payment on February 26, but that in view of our treaty obligation and the nature of the "irrevocable instructions" which the Department had received from the Panamanian Government regarding the transmission of the annuity payment, we felt that the only course open to us was to transmit this check when due.

Dr. Alfaro said that he appreciated our point of view; at the same time he said that we of course understood that Panama could not accept the payment and that he would be obliged to instruct the Fiscal Agent in New York to return the check to the Department, as had been done last year.

I said that I would advise Dr. Alfaro as soon as an opinion had been reached by our authorities as to the effect of the Supreme Court action in relation to the annuity question.

EDWIN C. WILSON

711.1928/345

The Acting Secretary of the Treasury (Coolidge) to the Secretary of State

WASHINGTON, [undated].
[Received February 25, 1935.]

MY DEAR MR. SECRETARY: Reference is made to your communication of February 21, 1935,³¹ concerning the Panama Canal Zone Treaty Annuity. You state that the Minister of Panama has now inquired whether the recent opinion of the Supreme Court on the so-called gold clause cases would not permit this Government to make the payment of this annuity on the basis of the former value of the dollar. The officers of the United States can, of course, make payments only in the amounts appropriated by the Congress. The Act of April 7, 1934,³² carrying appropriations for the Department of State and other Departments for the fiscal year 1935, makes the following provision for the current Panama Canal Zone Treaty Annuity:

"For payment of the annual contributions, quotas, and/or expenses, including loss by exchange, in discharge of the obligations of the United States in connection with international commissions, congresses, bureaus, and other objects, as follows: . . . Government of Panama, \$250,000 . . . ; in all, \$579,948, together with such additional sums due to increases in rates of exchange as may be necessary to pay in foreign currencies the quotas and contributions required by the several treaties, conventions or laws establishing the amount of the obligation for the fiscal years 1934 and 1935."

Inasmuch as the obligation of the United States under the treaty with Panama, is to pay in money of the United States, not in a foreign currency, it would appear that there is at present authority to pay to Panama only \$250,000. If this view is correct, the recent decisions of the Supreme Court would not seem to have any bearing upon the amount which the officers of the Government are authorized to pay to Panama on February 26, 1935.

Sincerely yours,

T. J. COOLIDGE

711.1928/334

Sullivan & Cromwell to the Secretary of State

NEW YORK, February 27, 1935.
[Received February 28.]

DEAR SIR: We beg to acknowledge herewith your letter of February 26, 1935 (BA—711.1928) ³¹ addressed to William Nelson Cromwell,

³¹ Not printed.

³² 48 Stat. 529, 534.

as Fiscal Agent of the Republic of Panama, and enclosing a copy of the Comptroller General's settlement Certificate No. 0350683, dated February 26, 1935, check on the Treasurer of the United States, No. 34,602, dated February 26, 1935, to the order of William Nelson Cromwell, Fiscal Agent of the Republic of Panama, for \$250,000 "in settlement of the annuity due the Republic of Panama on February 26, 1935, under Treaty of November 18, 1903", and a form of receipt therefor.

This form of receipt contains the statement that the aforementioned check is "in full payment of the annuity due the Republic of Panama February 26, 1935", etc.

In the absence from New York of Mr. Cromwell, but acting under his instructions, we beg to acknowledge your communication and to advise you that the Republic of Panama maintains the position that under the terms of the above mentioned Treaty, the Annuity should be paid in gold coin like that existing in 1904. Consequently, and in view of the aforementioned advice from the Government of Panama that it does not consider that the payment in question constitutes payment in full of the said Treaty Annuity, the Fiscal Agent considers that he cannot accept the check as tendered and the undersigned, on behalf of the Fiscal Agent, are returning the check herewith.

Respectfully yours,

SULLIVAN & CROMWELL

711.1928/349

The Attorney General (Cummings) to the Secretary of State

WASHINGTON, March 2, 1935.

DEAR MR. SECRETARY: I am obliged for your letter of the 28th ult—initialed LA 711.1928/332B³⁴—enclosing copy of a memorandum submitted to you by the Minister of Panama,³⁵ in which he presents further argument in support of Panama's contention that annuity payments under the Treaty of November 18, 1903, should be made in gold coin of the standard existing on that date.

Dr. Alfaro, the Panamanian Minister, has been both adroit and plausible in advancing his country's position concerning this matter, as you are no doubt aware, but we have never admitted the accuracy of this position; on the contrary, it is highly debatable whether the construction asserted by Dr. Alfaro is legally correct, and it is certain, for the present at least, that these annuities were assigned by Panama

³⁴ Not printed.

³⁵ Memorandum of February 21, 1935, p. 916.

to the use of bondholders in this country to whom the payments are distributable.

The entire subject was given careful consideration more than a year ago and the conclusion reached by your Department, after conferences with my representative, the Assistant Solicitor General, and representatives of the Treasury Department, that a new treaty should be negotiated with Panama, which would take into account and adjust any controversy about these annuities.

Permit me to suggest that I am still of the opinion, in which the Treasury Department concurs, that this controversial subject, because of complications it may induce, should be disposed of as promptly as may be, and by means of the treaty now in process of negotiation by your Department.

Sincerely yours,

HOMER CUMMINGS

711.1928/376

The Panamanian Legation to the Department of State

AIDE-MÉMOIRE

In view of the difficulties which up to the present have been encountered in connection with the payment by the United States to the Republic of Panama of the annuity stipulated in Article XIV of the Treaty of November 18, 1903, and in view of the urgency with which a prompt settlement of this matter is needed by Panama in order to avoid further interruption in the service of its public debt, the Government of Panama has considered the possibility of a plan which would do away with many of the objections which up to the present have been made to the different solutions proposed by one or the other party.

The plan would be the following:

1. The Government of the United States, directly or through the instrumentality of one of its agencies, will advance the Republic of Panama the sum of \$12,000,000.00 lawful currency which is the equivalent of approximately 28 annuities calculated at \$425,000.00 each.

2. The Republic of Panama, by way of interest on this loan, would agree that the United States retain the Canal annuity for as long a time as there will be an outstanding balance due to the United States.

3. For repayment of the principal, the Republic of Panama would bind itself to pay the United States annual instalments of \$250,000.00 for which payment the revenue from the Constitutional Fund of \$6,000,000.00 invested in mortgages in the City of New York would be pledged, and the United States would recognize interest at the rate of $3\frac{1}{2}\%$ on all such instalments for as long as a balance of the loan is outstanding.

The substance of the agreement would be that the Republic of Panama pay the United States $3\frac{1}{2}\%$ interest on the outstanding balance of the loan and that the annuity be calculated in the amount of \$425,000.00.

Another way in which the arrangement could be expressed is that the United States advance to the Republic of Panama \$12,000,000.00 and that the Republic obligates itself to repay the loan in approximately 28 years by means of annual payments of \$675,000.00 to cover interest and amortization, of which \$425,000.00 would come from the Canal annuity and \$250,000.00 would come from the revenue of the Constitutional Fund of \$6,000,000.00 invested in mortgages in the City of New York.

The purpose of this scheme is to avoid an explicit statement that the annuity is paid in the equivalent of gold inasmuch as if the loan is worked out on the basis of Panama recognizing an interest of $3\frac{1}{2}\%$ upon such balances as she may owe it would be necessary to express the amount assigned to the annuity.

The advantages resulting from this or any other similar arrangement to the United States, would be the following:

1. The gold clause issue would be eliminated thus avoiding questions which the United States Government may consider as jeopardizing in any way the monetary or other internal policies of the administration.

2. That the bondholders of the Panama debt, who in their majority are American citizens, would be in a much better position to obtain an immediate settlement of their outstanding credits against the Republic of Panama.

3. That the United States would not have to depend on remittances from the Republic of Panama for the repayment of the loan, inasmuch as all of the money will come from sources which are within the United States.

The advantages resulting to the Republic of Panama would be the following:

1. That the Republic would be in a position to cancel perhaps the whole amount of the external debt of the Republic which amounts to over \$15,000,000.00.

2. That by this operation the Republic would pay a rate of interest considerably less than the rates she is paying today.

3. The Republic would not have to appropriate and use any part of its internal revenues for the service of its debt, inasmuch as it would be entirely covered by revenues coming from the United States.

WASHINGTON, April 15, 1935.

711.1928/365 : Telegram

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

WASHINGTON, April 29, 1935—7 p. m.

20. Your 56, April 27, 11 a. m.³⁶ At the conference which Minister Alfaro had with President Roosevelt on April 24 the President expressed the following views regarding the annuity matter: that to seek special legislation of the Congress would be thoroughly impracticable and unwise. The President, briefly, will not adopt any such course. He stated that the only practicable way of accomplishing what both Governments desire is to make provision for the annuity in a treaty between the two countries. The President pointed out that the United States has now formally and officially proposed to Panama the inclusion of an article in the General Treaty by which the United States will pay \$430,000 annually beginning with the 1934 annuity. The President added that there thus has not been and cannot be the slightest doubt of the firm intention and determination of the Government of the United States to meet Panama's wishes in this matter, and it becomes incumbent on both Governments to do everything that lies in their power to hasten the conclusion of the proposed treaty which offers the only legal and practicable means of accomplishing this purpose.

Please call on President Arias and advise him of the foregoing.

HULL

711.1928/367 : Telegram

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

PANAMA, May 1, 1935—11 a.m.

[Received 6:15 p.m.]

58. Reference Department's telegram No. 20 April 29, 7 p.m. I saw President Arias yesterday morning and advised him of the Department's telegram. The President who received me with the Minister for Foreign Affairs said he would send me a memorandum for transmission to the Department. The memorandum in Spanish arrived April 30, 7 p.m. It is transmitted herewith in its entirety:

"Translation.

Memorandum on the payment of the annuity.

Panama, April 30, 1935.

The Government of Panama is appreciative of the attitude of the Government of the United States in maintaining the firm intention

³⁶ Not printed.

and determination to accept the thesis of Panama regarding the payment in gold of the annuities of the Canal, but deplores the fact that the Government of the United States believes that the only legal and practical means of arriving at this end is that of incorporating in the projected treaty a clause providing that the payment shall be made substantially in the manner provided for by the Treaty of 1903.

The point of view of Panama is that this clause is foreign to the objects of the proposed treaty. In effect, the new treaty has the object of regulating certain questions which have arisen as a result of the construction of the Canal. The payment of the annuity is not a question of this nature. The question of the payment of the annuity in gold has come up because of measures of a monetary nature placed in effect by the Government of the United States, measures which cannot affect the stipulations of an international treaty.

In order to obtain the payment of the annuity, it is not necessary to negotiate, but simply to take a measure to effect compliance with what has been pacted. This logically is a matter outside the consideration leading to the celebration of a new treaty.

Furthermore, even though a new treaty is agreed upon, it would lack validity as long as it is not ratified in accordance with the constitutional requirements of the contracting parties. If one of the parties should delay ratification or should not ratify, the matter of the payment would be left pending with definite damage to Panama.

The Government of Panama understands the reasons of the Government of the United States in not wishing to submit to the consideration of Congress any project of law which specifically treats of this question. Taking into account these reasons and in its fervent wish to avoid difficulties to the Government of the United States, the Government of Panama has endeavored to cooperate in finding some practical means by which the points of view of the two Governments would not be affected. Having this in mind Panama has suggested various proposals, as follows:

(a) That it be advanced a sum of money (\$12,000,000) to redeem the bonds of its external debt. Through this plan there would be no need to indicate the value of the annuity, inasmuch as this would be determined after 28 years; that is to say, when Panama finishes paying through the annuity and through other payments on account, the advance of \$12,000,000. This plan, however, was refused by the Government of the United States because it would be necessary to ask authorization from Congress to carry it out. We do not know if there is any agency of the Government of the United States, the Panama Railroad Company for example, which might effect the advance of the \$12,000,000 and receive the annuity in payment. Perhaps by this method it would not be necessary to obtain the authorization of Congress.

(b) That Panama be advanced only the sum of Balboas 4,000,000 in order to redeem the bonds of the 1923 loan. This plan would probably carry the same objection that it would require authorization from Congress, but as was explained in the previous case, perhaps some of the agencies of the Government of the United States, the Panama Railroad Company, for example, would be able to carry out the said plan.

(c) That the Treasury of the United States or some agency of the Government of the United States turn over to Panama the value of the annuities in silver bars, in order not to state at this time the value of the \$250,000 gold which the United States should pay to Panama.

The absence of payment by the United States of the annuities of the Canal is causing serious damages to the Government of the Republic, among others that of not properly attending to the service of its debt, and that it impedes Panama from carrying out a conversion or a consolidation of the external debt, something that could easily be done at this time as has been done by various countries, and thus obtaining a considerable reduction in interest. While there are doubts respecting the payment of the annuity, Panama cannot make a proposal to the bond holders, inasmuch as there would not be a certainty of paying the interest agreed upon in its entirety.

The Minister of Panama in Washington has no doubt amply explained to the Department of State the different reasons which cause Panama to state that the matter of the payment of the annuity of the Canal is not a question which should be incorporated in the proposed new treaty.

The Government of Panama maintains the hope that if some person in the Department of State or in the Department of the Treasury will carefully study the different proposals that Panama has made, and which is consistent with the object of eliminating the difficulties that might arise for both Governments, this matter could be satisfactorily arranged, and through it Panama would receive an appreciable advantage in being able to arrange the payment of its external debt with benefit to its fiscal interests."

SUMMERLIN

711.1928/377a

The Chief of the Division of Latin American Affairs (Wilson) to the Panamanian Minister (Alfaro)

WASHINGTON, May 4, 1935.

MY DEAR DOCTOR ALFARO: In considering the matter we discussed at our meeting yesterday, namely, an exchange of notes making reference to the Monetary Agreement of 1904 and to the fact that as regards the Canal annuity the Balboa would be considered as having 987½ milligrams of gold of .900 fineness, I have re-read the draft ³⁷ of exchange of notes on coinage concerning which we reached agreement some time ago. It seems to me that this draft exchange of notes contains in itself the essential points embodied in the *procès-*

³⁷ Not printed; for text of the notes exchanged at the time of the signing of the Treaty of Friendship and Cooperation on March 2, 1936, see Treaty Series No. 945, pp. 58-63.

verbal which you proposed the other day and which we were going to place in a new exchange of notes. I believe if you will refer to the draft exchange of notes on coinage you will agree with me.

It would seem, therefore, that all that would be required would be the insertion of a phrase in the exchange of notes on coinage to the effect that for the purposes of Article VIII of the General Treaty the Balboa shall be regarded as defined to consist of 987½ milligrams of gold of .900 fineness.

I am attaching, for your consideration, the text ³⁸ of a phrase which I suggest be inserted on page two of the exchange of notes on coinage after the first full sentence on the page which ends with the word "equal".

I also enclose for your consideration a copy ³⁸ of a re-draft of Article VIII of the General Treaty.

I should be glad to discuss these drafts with you at your convenience.
Sincerely yours,

EDWIN C. WILSON

711.1928/367: Telegram

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

WASHINGTON, May 6, 1935—5 p.m.

21. Your 58, May 1, 11 a. m. The memorandum transmitted in your cable has been carefully considered. The United States appreciates fully Panama's desire to have the annuity paid in gold coin of the weight and fineness existing in 1904 or the equivalent in actual value thereof, and this Government has formally offered to meet in full Panama's desire by making appropriate provision therefor in the general treaty under negotiation. We are, however, somewhat perplexed by the statement at the close of the Panamanian memorandum that "the matter of the payment of the annuity of the Canal is not a question which should be incorporated in the proposed new treaty."

The annuity matter was first raised with the Department by the Panamanian Minister in January, 1934. Following Panama's unwillingness to accept the payment tendered by the United States on February 26, 1934, Assistant Secretary Welles suggested to Minister Alfaro on March 31, 1934,³⁹ the advisability of informal discussions to explore the possibilities of negotiating agreements to adjust and settle in a mutually satisfactory manner all points of difference and misunderstanding which might have arisen in the relations between the two countries, including specifically the matter of the Canal annuity. Panama agreed to hold these informal discussions, which

³⁸ Not attached to file copy of this document.

³⁹ See *Foreign Relations*, 1934, vol. v, p. 625.

thereupon took place and progressed in a satisfactory manner. On September 22, 1934, the Minister of Panama submitted to the Department a draft general treaty,⁴⁰ Article IX of which contained specific provisions for the payment of the annuity. In other words, the Government of Panama itself proposed a specific article to deal with the payment of the Canal annuity to be incorporated in the general treaty. On October 30 the Department submitted its draft of a general treaty⁴¹ to Dr. Alfaro, the annuity matter being comprised in Article VIII thereof. In view of the satisfactory progress in the informal discussions, President Arias appointed a Commission to undertake the negotiation of agreements with the United States for the purpose of removing all differences and causes of misunderstanding which had arisen in the relations between the two countries, and the Commission met with representatives of the United States Government for the first time in November, 1934. From the outset, that is, from the date of submission of the Department's draft treaty, the Department proposed, and has continued to propose, to give Panama all that she desires as regards the annuity matter.

The Department sincerely regrets that any inconvenience may have been suffered by Panama in connection with the annuity matter, but is convinced that the United States is not in any wise responsible therefor. On the contrary, the United States has made every possible and practicable effort not only to meet Panama's desires in full as to the amount of money to be paid, but also to facilitate a practical *modus vivendi* in Panama's interests pending the conclusion and entrance into force of the general treaty. When Mr. Welles, on March 31, 1934, suggested to Dr. Alfaro the advisability of informal discussions to explore the possibilities of negotiating agreements between the two countries, including the matter of the Canal annuity, he also suggested that Panama accept the \$250,000 tendered on February 26, 1934, as a payment "on account" without prejudice in any way, shape or manner to the legal position of either Government. Panama, however, declined to accept this payment "on account". When the time approached for the payment of the February 26, 1935, annuity, the United States again pointed to the fact that Panama's desires regarding the annuity would be met in full as soon as the treaty could be completed and placed in effect, and the United States again urged that pending that time Panama accept "on account" both the 1934 and 1935 payments in the amount of \$250,000 legal tender each, the only payments which the United States could make under existing law. Panama again declined to receive the tendered payments "on account". Recently Dr. Alfaro advised the Department

⁴⁰ Not printed.

⁴¹ Not found in Department files.

of the possibility that Panama might have to default entirely on the May 15 payment due on certain bonds issued by Panama in the United States, the service of this bond issue having been met by Panama since 1933 only to the extent of 33 $\frac{1}{3}$ percent. The Department, being so informed, again urged the wisdom of accepting as "on account" the two payments tendered in 1934 and 1935, totalling \$500,000, pointing out that the United States had formally proposed in the draft general treaty that beginning with the annuity payable in 1934 the payments under Article XIV of the treaty of 1903 should be \$430,000 rather than \$250,000.

The various proposals which Panama has suggested for paying the annuity, referred to in the memorandum of April 30, have been, as have all the proposals, suggestions and recommendations put forward by Panama during the course of these negotiations, most carefully and sympathetically considered and studied by the competent officials of this Government. These specific proposals on the annuity, in order to be made effective, would require action by Congress. They are, moreover, open to objection from the point of view of the United States in that they do not seem to deal clearly and frankly with the problem of the annuity but seek to adjust that problem temporarily and indirectly. The United States desires openly and without reserve to meet fully Panama's wishes in this matter and has proposed a sound and effective manner of accomplishing this objective. As has already been stated, President Roosevelt is convinced that the only legal and practicable means of accomplishing this purpose is that envisaged since the inception of these treaty discussions over a year ago, namely, by making appropriate provision therefor in a treaty between the two Governments. The Department earnestly trusts that complete agreement may now shortly be reached on the general treaty and the Department will bend its best efforts to this end.

You may furnish President Arias with a copy of the foregoing.

HULL

711.1928/383a

The Assistant Secretary of State (Welles) to the Assistant Solicitor General (MacLean)

WASHINGTON, May 22, 1935.

MY DEAR MR. MACLEAN: In further discussion with the Panamanian Commissioners concerning the matter of the Canal annuity, they have, under instructions from their Government, raised objection to the draft of Article VIII of the proposed General Treaty on the ground that it makes reference in blank to a projected law to be enacted in the future by the legislature of Panama.

After further consideration of this matter we have agreed with the Panamanian Commissioners to deal with it as follows: to include in the notes on coinage to be exchanged between the two Governments a reference to the fact that the existing Monetary Agreement between the two Governments of June 20, 1904, shall be modified to make provision for the reduction of the gold balboa so that the legal standard units of value of Panama and of the United States shall be equal; and that, accordingly, for the purpose of Article VIII of the General Treaty, the balboa shall be regarded as defined to consist of 987½ milligrams of gold of 0.900 fineness. We further agreed with the Commissioners of Panama on certain minor modifications in the draft of Article VIII.

I am enclosing herewith for your information copies of the draft note on coinage and of the draft of Article VIII of the General Treaty.⁴²

The Treasury Department has approved these drafts, and I should be glad to have your views thereon.⁴³

Sincerely yours,

SUMNER WELLES

⁴² Not printed. The settlement of the Canal annuity question was taken up as part of the negotiations for the revision of the treaty of November 18, 1903 (see pp. 889 ff.). The article concerning this matter was changed to article VII in the General Treaty of Friendship and Cooperation signed at Washington on March 2, 1936; Treaty Series No. 945, pp. 12-13.

⁴³ No reply found in Department files.

PERU

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

611.2331/46a

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

No. 800

WASHINGTON, August 9, 1935.

SIR: The trade agreements program of the United States contemplates eventual negotiations with each important commercial country with which the basis for an agreement in harmony with the principles and objectives of the program is believed to exist. Trade agreements have been signed with five countries, negotiations are now in progress with thirteen others, and it is planned to institute negotiations with additional countries from time to time in the future. It is expected, therefore, that in due course this Government will have occasion to initiate discussions with the Peruvian Government with a view to determining whether there is a basis for the conclusion of a satisfactory agreement with that government and whether that government would be disposed to enter into such negotiations.

Meanwhile it is desirable that a complete understanding should exist in that country of the general objectives and fundamental principles of the commercial policy of the United States. Similarly, it is desirable for this Government to be fully cognizant of any considerations which may govern the commercial policies of Peru, and of the reaction of that Government to the policies of the United States. An exchange of views of a purely informal character, restricted to general considerations of policy rather than the detailed study which would follow in connection with negotiations, may serve a useful purpose at this time, and may facilitate the progress of any negotiations which might subsequently be initiated.

With this in view, the Department considers that you may usefully, at your discretion, enter into informal conversations with the Minister of Foreign Affairs, and such other officials as may be deemed appropriate, for the purpose of explaining the commercial policy of this Government, and ascertaining the reaction thereto of the Peruvian Government. You may supplement your reports of the substance of these conversations by such additional comment as you believe would be of interest to the Department, with particular reference to

the ultimate possibility for the negotiation of a trade agreement between the two countries.

As an aid to you in discussing this general subject, there is enclosed a brief memorandum ¹ outlining the salient features of the commercial policy of the United States, as well as a copy of a press release of the Department, entitled "Policy of the United States Concerning the Generalization of Tariff Concessions under Trade Agreements";² In referring to these basic principles, you may find it appropriate to point out that they are in harmony with the resolution on economic, commercial and tariff policy approved by the Seventh International Conference of American States at Montevideo in December, 1933.³

Should any points arise in your conversations concerning which there may be some doubt, the Department will welcome your inquiries in the premises.

Very truly yours,

For the Secretary of State [*sic*]:
CORDELL HULL

611.2331/47

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

No. 4176

LIMA, September 29, 1935.
[Received October 10.]

SIR: I have the honor to refer to the Department's instruction No. 800 of August 9, 1935, directing me to carry out an exchange of views of a purely informal character with the Peruvian Government with a view to determining whether there is a basis for the conclusion of a satisfactory trade agreement with Peru within the scope of the present trade agreements program and the commercial policy of our Government.

Mindful of the Department's desire that this exchange of views should be restricted to general consideration of policy, I spoke to the Foreign Minister in a preliminary sense on the 24th of August. He was not prepared, without some previous consideration, to give me much of an indication as to his Government's attitude. He nevertheless declared his great interest in the fact that our Government is considering the possibility of the eventual negotiation of a trade agreement between the Government of Peru and the United States and said that he would be glad to have from me a memorandum outlining the

¹ Not printed.

² Vol. I, p. 536.

³ Resolution V, Economic, Commercial, and Tariff Policy, approved December 16, 1933, *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, 1934), pp. 196-198.

salient features of the commercial policy of the United States and the nature of my immediate instructions. I told the Minister I should be delighted to give him this information and he promised to study it and let me know when he could talk to me more to the point. He was impressed by the fact that my instructions had come directly from Secretary Hull and that they were an outgrowth of and in harmony with the resolution on the economic, commercial and tariff policy approved by the Seventh International Conference of American States at Montevideo in December 1933, which resolution, he felt, was so much the work of Secretary Hull.

Commenting in a general way upon the present trade situation, the Foreign Minister recalled that while there are no material bars to the sale of American products in Peru, practically all of Peru's products are prevented, by tariff rates and other restrictions, from entering the United States market. I suggested that although under the circumstances it would seem logical for the United States to offer lower rates on certain Peruvian products in order to initiate the negotiations, it would greatly help the psychology of the situation and the future success of negotiations if Peru could indicate, in some striking way, how exports from the United States to Peru might be benefitted and augmented so that this could be presented as a reason for the celebration of a reciprocal trade treaty and as an offset to the desirability of our making concessions in order to remove the prohibitive tariff rates existing at present.

Without committing himself on this point, the Minister mentioned Cuba's favored position and the fact that under present circumstances Peru cannot market any of her sugar in the United States. I endeavored to show the Minister that the special relationships between the United States and Cuba was based upon the historic circumstances of the case and said to him that the matter of the sugar quotas was an extremely difficult question for us in which our Congress and the Department of Agriculture had established conditions which might not be subject to any control on the part of the Department of State. I added that while I sincerely regretted the fact that under present conditions Peru could not market some 100,000 tons of her sugar in the United States, I feared I could not hold out any hope that much could be done to relieve this particular situation.

Believing that it was best to be frank and that it was entirely within the sense of the Department's instructions No. 800 of August 9, 1935, I supplied the Foreign Minister on August 25th (copy of my note herewith enclosed)⁴ with a copy of the instruction and its accompanying papers.

Respectfully yours,

FRED MORRIS DEARING

⁴ Not printed.

611.2331/48

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

No. 4183

LIMA, October 2, 1935.

[Received October 10.]

SIR: I have the honor to refer to the Department's instruction No. 800 of August 9, 1935, and to my despatch No. 4176 of September 29th, 1935, and to inform the Department that while I was talking with the Minister of Foreign Affairs about another matter a day or two ago, he brought up the subject of the basis for a trade treaty with our country and said that he had spoken to the President in the sense of the instructions given me in the Department's instruction No. 800 of August 9, 1935, and that he would be ready to discuss the situation with me, in a general way, on the 1st of October. The Minister has been unable to take up the matter before on account of the great pressure of work due principally to a third wave of influenza now going over Lima which has incapacitated about half the Government personnel, including the President himself, and has brought about the virtual paralyzation of the activities of the Constituent Assembly.

Dr. Concha told me, as a preliminary to our next talk, that he had examined my instructions and the statements that came with them with care. He had before him on his desk some sheets, evidently prepared in the Ministry of Hacienda, showing Peru's exports to the United States and pointed out to me that they amounted to less than fifty million soles per annum, according to the last figures; that two-thirds of this could be ascribed to copper and other metals and that Peru was consequently not faring especially well in her trade with the States. He gave me to understand that both the President and he himself considered the sugar situation to be the central and all important point for Peru in any agreement that might be drawn up. He said he felt sure, from the information he had received, that there was a need for sugar in the United States and that he could not understand why our market could not take up to 300,000 tons of Peruvian sugar. At the same time he pointed to the difficulties of disposing of it in Peru's natural markets, which are Chile and Great Britain.

The Minister seemed to feel that regardless of the quotas established by the Department of Agriculture under the Costigan-Jones Act,⁵ if the price at home rose high enough, it would enable some Peruvian sugar to enter the American market, but he and the President both wish for a rate of duty or for a reallocation of quotas which will assure a sale of Peruvian sugar up to 300,000 tons in the United States.

For reasons which I have given the Department in my telegram of August 28, 10 [9] p.m. (No. 99),⁶ the Department will understand how

⁵ Approved May 9, 1934; 48 Stat. 670.

⁶ Not printed.

critical for the Peruvian Government the sugar situation is. I may add that it is deep in the mind of the President who has not failed to speak to me along exactly these same lines for the last two and a half years, and that neither the President nor the Foreign Minister are quite willing to find complete justification for the exception that has been made in favor of Cuba. The making of this exception, in their minds, does away with the argument that to award a larger quota to Peru would establish an embarrassing precedent and cause a claim for larger quotas from other countries. They even somewhat dislike the favor shown to Hawaii and the Philippines.

Speaking in a general manner but evidently seriously and after some consideration, the Minister told me that Peru was not even inclined to go much into the matter of a trade treaty unless this sugar situation could be given definite and preferential attention.

I endeavored to keep the plane of discussion on a higher and broader ground. I explained to the Minister, as I have done before both to him and to the President, the mandatory nature of the Costigan-Jones Act and the handicap it places upon the Department; and I endeavored, also, to make him understand that the act had grown out of very serious and special conditions at home, and in spite of what he had intimated about Cuba and our Island possessions, I tried to make him see that the Peruvian quota could not be increased without creating a very difficult situation with other producing countries.

I then left the discussion to be taken up later, and when I see him again I will show him what has been done in the cases of Canada, Colombia and Sweden and see whether or not a broader view cannot be taken of the situation. I agree, however, with the Minister's thinking that the Peruvian sugar situation should be helped if possible, and that since we so completely bar Peruvian products from our market, there will have to be some market concessions on our side before a trade treaty can be arranged.

It is, of course, the obligation of the Peruvian Government to meet its responsibilities abroad in the case of its foreign loans, and it is desirable for Peru to begin to pay the interest and amortization on bonds held by American citizens. Some time ago the hint was given that the way might be found to devote the proceeds of the export tax on petroleum to the service of American held bonds, as this would avoid some difficult exchange operations. President Benavides and his Ministers of Finance and Foreign Affairs have several times spoken to me, in connection with a possible trade treaty, of the inducement of entering into mutually satisfactory arrangements which would come from resumption of service and amortization and at a more reasonable figure. I have tried to make them see that this is an

obligation, whatever the practical consideration may be, that should march by itself, and as politely as possible to make them realize that to offer to do something which they ought to do anyway was hardly *quid pro quo* for consideration in connection with a trade treaty.

The same idea, in different dress, was brought out by the Foreign Minister in connection with the sugar problem when he told me that if it should prove possible to market a larger amount of sugar in the United States, the taxes on sugar production could then be devoted to the service on American held bonds and that in this way the service could be materially increased.

Respectfully yours,

FRED MORRIS DEARING

611.2331/49

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

No. 4184

LIMA, October 2, 1935.
[Received October 10.]

SIR: I have the honor to refer to the Department's instruction No. 800 of August 9, 1935, to the Embassy's despatches No. 4176 and 4183 of September 29 and October 2, 1935, respectively, concerning the possible eventual negotiation of a reciprocal trade treaty with the Government of Peru, and to inform the Department that I had an opportunity to speak to the Foreign Minister yesterday regarding Peru's trade policy and Peru's reaction to our own commercial policy.

The Minister evidently had given the matter consideration and had discussed it with the President and with other members of the Government. Dr. Concha stated that he was entirely in accord with the objects of our policy as set forth in the memorandum⁷ accompanying the Department's instructions under reference. During the course of our conversation he limited his accord to the extent of saying that while he did not in general favor the most favored nation policy, he did favor it so far as a trade agreement between the United States and Peru was concerned. He took note of the fact that our commercial policy is in harmony with the resolution on economic, commercial and tariff policy approved by the Seventh International Conference of American States at Montevideo in December, 1933, to which resolution the Peruvian Government is a party.

The Minister began his remarks by stating that the main consideration for Peru was the necessity to market her products abroad. Peru, he stated, is primarily an exporter of raw materials and it must find markets abroad in which to dispose of them. He recognized the fact

⁷ Not printed.

that our own country is, to a considerable extent, a marketer of raw materials although it is also an exporter of manufactured products. The Minister stated that Peru is, therefore, entirely in favor of the reduction of all barriers, restrictions, controls and other arrangements which interfere with the free flow of articles and products in international commerce.

Dr. Concha went on to say that Peru, for some time past, has been developing a new tariff. It has been a matter of intensive study for at least two years past and he said while it is considered to be a scientific tariff so that the incidence and the degree of the rates fall logically and reasonably upon the articles concerned, the tariff is in no sense discriminatory and will not discriminate against products and exports of the United States. The Minister admitted that while the chief objective had been to draw up a rational and justifiably scientific tariff, the tariff was also expected to produce increased revenues estimated at about two and one-half million soles per year.

The Minister next stated that it was expected the new tariff would be put into force within about three months' time and informed me that it might even have been put in force already had it not been for the request of the British Government that it be kept in abeyance pending the completion of the trade treaty now being negotiated with Great Britain, a treaty, by the way, which has come to somewhat of a standstill on account of difficulties arising in connection with the sugar situation and other matters to which I shall briefly refer later, but which the Foreign Minister evidently expects to move forward to completion within the next month or two.

The Minister next expressed the opinion that now is the time for our own Government and Peru to act, and states that Peru is anxious to negotiate a trade agreement with us, provided it is possible for Peru to realize some of her objectives, the first and foremost of which is a market for Peruvian sugar. Peru, he told me, produces some 400,000 tons of sugar per year as a rather constant crop, adding that he thought the crop would remain more or less constant on account of stable weather conditions and the fact that there will be no increase in acreage. The natural markets—Chile and Great Britain—take about 100,000 and 250,000 tons each respectively, leaving always a surplus of from fifty to one hundred thousand tons which so far has completely demoralized the Peruvian market. Moreover, the fact that Great Britain grants most favored nation treatment for sugar, makes it impossible for Peru to market there at an advantageous price, and this probably explains the Minister's bias against the most favored treatment procedure as indicated above.

In the case of Chile, Peru sells more to Chile than she buys from Chile and that will indicate the weakness of the Peruvian sugar market

there, although there is, as the Department is aware, a question regarding wheat and the rival interests of Argentina and Chile in the Peruvian market which complicates the issue.

The Minister returned to the desirability of doing something at once and before the new tariff is put into effect and inquired how soon I thought I could hear from the Department. I reminded him that our exchange of views was purely informal in character and restricted to general considerations of policy and suggested that it took some time to take up negotiations of this kind, but said I would put the matter before the Department as soon as possible. I reminded him of the special difficulties attending the opening of the American market to Peruvian sugar, whereupon he recalled that the trade agreement act of June 12, 1934,⁸ authorized the President of the United States, under certain circumstances, to reduce or to continue the rates of duty on imports into the United States in connection with reciprocal trade agreements.

The Minister stated he felt the time to discuss an agreement was now and that if our Government was ready to make concessions, Peru was already prepared to do so and would like very much to have our Government say what it wants. He returned then to the question of sugar, saying that this was Peru's greatest desire and that in order to provide for all eventualities, it would like to make sure of a market for at least 300,000 tons, as the British and Chilean markets could not be absolutely depended upon.

The Minister stated that Peru would also be glad to have reductions in our copper duties and while he stated Peru was not so much interested in cotton, it would be glad to have concessions there also. He said he knew we did not need copper and cotton, although the long staple Peruvian cotton might be good for automobile tires, but that he felt we did not have enough sugar and could take more. I tried to give him the picture of the difficult situation of our western beet sugar growers. With regard to cotton, the Minister stated Peru was selling constantly greater amounts to Germany, to Italy, and that the Japanese purchases were increasing enormously.

From this remark regarding the Japanese market, the Minister passed to a discussion of the whole Japanese situation. He informed me that on October 5th the present treaty between Japan and Peru⁹ will come to an end and assured me that I could not conceive of the pressure the Japanese Legation had brought to bear upon him and upon the Peruvian Government to secure an extension of the present treaty. He stated that all of this was of no avail, however, as his government was determined that the treaty should come to an end

⁸ 48 Stat. 943.

⁹ Signed September 30, 1924, League of Nations Treaty Series, vol. CII, p. 33.

on the 5th and that it would not be renewed in its present terms. The Department is doubtless aware that a special Japanese commission is en route to Peru at the present time for the purpose of negotiating a new treaty. Japan, as always, is intensely interested in the whole West Coast of South America, both as a market for textiles and other manufactured products and as a vast reservoir of raw materials.

Incidentally, the Minister told me that it had fallen to him to prepare the legislation for the restriction of Japanese immigration and that the Government was definitely committed to a policy of rigid exclusion. It is the story of the Japanese in California all over again. They continue to acquire land on all occasions, they can outwork even the native Peruvian Indian employees, the employers of labor are delighted to have them, but their steady pressure and increase is so menacing to the native population and in its implications for the future, that the Government feels it must close the gates but wishes to do so with as little offense to Japan as possible. The Minister requested me to consider what he has said in the greatest confidence.

This discussion of the Japanese participation in Peruvian trade brought up the question of the market for textiles in this country where there are a certain number of spinning mills but where the Japanese continue to dump large quantities of cloth. One of the objectives of the new tariff is to rigidly restrict this importation from Japan. The Minister tells me that the British Commercial Attaché feels that the rates established in the new Peruvian tariff, however scientific they may be, do not really blockade the Japanese importation, and I understand that one of the reasons why the negotiation of the British-Peruvian trade treaty goes slowly is the endeavor to find a way to make the new tariff rates such that they will restrict the Japanese importations and insure more business for Great Britain. I understand from our Commercial Attaché that such restriction will be beneficial to the American spinners also.

In speaking of the British Trade Treaty, the Minister gave me still another side light on the sugar situation by saying that he understood India was greatly increasing its sugar production and that this was a menace to the Peruvian market in Great Britain.

Incidentally, the Minister stated the British were asking that the so-called labor law, No. 7505,¹⁰ be made more flexible. The Minister seemed to be in favor of such flexibility. The Department will recall that this law provides that 80 per cent of the personnel of foreign companies operating in Peru must be Peruvians.

I inquired of the Minister whether the rights established under the new Peruvian tariff would be susceptible to change as a result of any

¹⁰ *Anuario de la Legislación Peruana, Congreso Constituyente de 1931* (Lima, 1933) vol. xxvi, p. 22.

trade agreement negotiations. The Minister stated that they would, and that once the tariff is put into force and the new rates established, they may be changed, removed, continued, et cetera, in accordance with whatever reciprocal arrangements are made in the trade agreement. He indicated that new rates could be negotiated to serve the purpose of such a treaty. He again referred to the fact that it is possible for our President to reduce tariff rates and assured me that Peru wished as extensive arrangements as possible under any trade agreement that might be set up and was willing to make the maximum number of concessions for maximum concessions on our part. He stated, as I have reported in the first part of this despatch, that while he was personally adverse to most favored nation provisions, that if Peru could get what she would like to have, namely a market for her sugar, Peru would most cheerfully negotiate a trade agreement on the most favored nation basis, would provide that there should be no discrimination whatever against our trade and would be willing to give an engagement to that effect and to agree to the complete generalization of concessions.

To sum up, the Minister stated that Peru is greatly interested in having had brought to its notice the desire of the United States to learn what the situation is. The new Peruvian tariff will be put into force within about three months' time. The sugar question is of paramount importance for Peru and Peru feels that both countries should move at once to set about the initiation of negotiations for a trade agreement. Peru is willing to accept most favored nation provisions in such an agreement, is against discriminatory practices, and feels that since our country has, in various trade agreements already negotiated, made reduction in American tariff rates, that it can do so in the case of certain Peruvian products; the Minister means, of course, primarily sugar.

Dr. Concha would like to have some expression of how our Government feels about the matter as soon as possible. In passing he remarked—as he has done before—that if something could be done for sugar, Peru could do more towards meeting her obligations to American bondholders. I told him I thought it would not be wise to hold this out as an inducement. He replied that he did not mean to hold this out as an inducement in the sense of giving a *quid pro quo*, but that since he felt our Government was friendly, it seemed to him that our Government would wish to assist Peru to develop and prosper so Peru could meet her obligations.

I shall appreciate the Department's instructions. Meanwhile I have requested Dr. Giesecke of the Embassy staff to make a *precis* of all of the Embassy's correspondence for the last five years bearing upon trade agreement possibilities, and I have asked the Commercial At-

taché to be prepared with such information as he can supply for the Department's assistance in the event it decides to go any further, at this time, in taking advantage of the opening presented by the Foreign Minister's remarks.

Respectfully yours,

FRED MORRIS DEARING

611.2331/49

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

No. 838

WASHINGTON, November 21, 1935.

SIR: Reference is made to the Embassy's despatches Nos. 4176 of September 29 and 4183 and 4184 of October 2, 1935, concerning the attitude of the Government of Peru toward the possibility of trade agreement negotiations with the United States. The Department notes with satisfaction the manner in which its instruction No. 800 of August 9, 1935, has been carried out.

Apparently no further progress can be made with the exploratory discussions concerning the possibility of a trade agreement with Peru unless the Government of Peru understands fully the nature of the situation in regard to imported sugar. There is little the Department can add to your explanation of the sugar situation in this country in relation to the request of the Government of Peru that assurances be given in advance of trade agreement negotiations that as much as 300,000 tons of Peruvian sugar will be permitted to enter the United States annually in the event a trade agreement is concluded. However, in line with your remarks to Dr. Concha, the Department must recognize that no matter how much it would welcome the opportunity in connection with a trade agreement providing for reciprocal reductions of existing trade barriers to facilitate a substantial increase in imports of sugar from Peru, it must confine any action in this direction within the limits prescribed by the Jones-Costigan legislation under which quantitative restrictions have been placed on cane and beet sugar produced in continental United States, on sugar from Hawaii, Puerto Rico, the Virgin Islands, the Philippine Islands, American Samoa, the island of Guam, the Panama Canal Zone, and on sugar from foreign countries, including Cuba. As long as such restrictions are imposed under the law, this Department perforce must take cognizance of them in connection with trade agreement negotiations with any foreign sugar-producing country. In this connec-

tion it may be pointed out that under the trade agreement of August 24, 1934, with Cuba,¹¹ no more sugar from Cuba was permitted to be imported from that country than the amount which the Secretary of Agriculture had already allotted to Cuba in accordance with the provisions of the Jones-Costigan Act.

Peru, it should be noted, has been given as large a quota as possible under the sugar control legislation. The Act specifies that the quotas allotted to foreign countries shall be based upon the average quantities brought into or imported into continental United States for consumption, or actually consumed therein, during such three years, respectively, in the years 1925 to 1933, inclusive, as the Secretary of Agriculture may determine to be the three most representative years. The quota allotted to Peru for the calendar year 1935, amounting to 11,114,100 pounds, or 5,557 short tons, was the largest quota allotted to any foreign country except Cuba, which country is the leading source of sugar imported into continental United States. As of possible interest in this connection two copies each of the Jones-Costigan legislation as amended and of the General Sugar Quota Regulations, Series 2, Revision 1, are being sent to you by pouch.

You are instructed to convey the substance of the foregoing to the appropriate officials of the Government of Peru, and to say that this Government greatly appreciates the interest shown by the Government of Peru in the possibility of trade agreement negotiations looking toward the reciprocal reduction of existing barriers to trade between the two countries, but that this Government, because of existing legislation governing the importation of sugar, cannot give any assurance either in advance of trade agreement negotiations or in connection with any such negotiations, provided the sugar legislation is in force at that time, that any quantity of sugar above the quota allotted in accordance with that legislation will be permitted to enter the United States from Peru; and that should restriction on importation of sugar be terminated, and there be a return to a free market, Peru would have unrestricted quantitative entry for her sugar in the American market. You may say further, however, that this Government is hopeful that its inability to give such assurance in regard to Peruvian sugar will not stand in the way of the continuance of the exploratory conversations for the purpose of determining whether, within the scope of the authority of the two governments, there exists a basis for entering into trade agreement negotiations.

Very truly yours,

For the Secretary of State:
FRANCIS B. SAYRE

¹¹ See *Foreign Relations*, 1934, vol. v, pp. 108 ff.

611.2331/51

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

No. 4326

LIMA, December 20, 1935.

[Received December 28.]

SIR: I have the honor to acknowledge the Department's instruction No. 838 of November 21, 1935, (File TA 611.2331/49) concerning the possibility of the inauguration of negotiations for a trade agreement between Peru and the United States, and to thank the Department for its complimentary reference to the manner in which instruction No. 800 of August 9, 1935, was carried out.

On December 17th I again took up this question with the Foreign Minister, explaining to him that the Department is not free to meet Peru's wishes with regard to sugar and that the situation is due to the Jones-Costigan legislation and the necessity for carrying out the mandates of the agricultural adjustment act by the Secretary of Agriculture. I expressed the personal opinion that were it not for these restrictions, no doubt something could be done to meet the Peruvian wishes, but that since the restrictions existed, it was hoped that the inability to give assurances with regard to the entrance of Peruvian sugar into American markets would not stand in the way of further exploratory conversations for the purpose of ascertaining whether, within the range of the possibilities open to the two governments, a basis exists for entering into trade agreement negotiations.

I took advantage of this opportunity to explain to Dr. Concha the great advantages of the trade treaties now being negotiated by the United States on the broad principle adopted by Secretary Hull: namely, the removing—as far as possible—of all artificial and arbitrary restrictions upon international trade, pointing out how vital it was for the well-being of the world to restore this trade to its normal volume and establish conditions which would enable it to flow freely back and forth.

I said that although the sugar situation might have to be excluded, there was a great deal of other business going on between Peru and the United States which might be most advantageously affected by a well thought out trade agreement, and that at any rate it was extremely important to establish the general principle upon which the present agreements were being negotiated as the one which should prevail between Peru and the United States, so that if the time ever did come when it could be more broadly applied to Peruvian products, it would be easier, and, indeed, almost a matter of course, to do so.

I pointed out that whether Peru realized it or not, it would be benefitted by the most favored nation provision in treaties with third nations and I told of indirect advantages that would come about for

Peru in other ways, saying that for this reason also it seemed to me that although the scope of a trade treaty between Peru and the United States could not be as wide as we could wish, such a treaty—as far as it went—would certainly be advantageous, first for the articles directly concerned and the relationships between the two countries, and, as I had stated above, as a strengthening of the general principle supported by Secretary Hull and our Government of breaking down the barriers and freeing international commerce from all artificialities and obstacles.

The Minister expressed his regret that nothing could be done about sugar, was somewhat inclined to shake his head over any other possibilities, but said that he would give the matter some thought and would later speak to me on the advisability of a trade treaty and exploratory conversations for the purpose of determining whether, within the scope of the authority of the two governments, there exists a basis for entering into trade agreement negotiations. Dr. Concha is tired out from a recent attack of illness and it may be a week or two before further conversations can be taken up advantageously. The matter will not, however, be lost sight of but will be followed up when the prospects appear propitious.

Respectfully yours,

FRED MORRIS DEARING

URUGUAY

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

611.3331/49

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

No. 922

MONTEVIDEO, January 10, 1935.

[Received January 21.]

SIR: I have the honor to inform the Department that the Minister for Foreign Affairs¹ told me today that the Uruguayan Minister in Washington² had asked the Ministry for Foreign Affairs to supply him with information on the trade agreements already negotiated by Uruguay in order to have them available when commercial treaty negotiations between the United States and Uruguay would be initiated.

I suggested to the Minister for Foreign Affairs that the actual texts of the commercial conventions concluded by Uruguay during the latter half of 1934, whether private or official, be made available to Minister Richling.

Minister Arteaga stated that the general principle on which recent commercial conventions had been negotiated by Uruguay was the return of 60% of all exchange emanating from the foreign country with which a trade agreement was negotiated. This 60% was to include debt service as well as payments for imports by Uruguay. 10% was to be devoted to the thawing of frozen credits. The balance of 30% was to be reserved for such use as was deemed convenient by Uruguay. However, he stated that this 30% had been disposed of in varying manner, according to the requirements of each individual case. He stated that in the case of Belgium, Uruguay secured two-thirds of the 30% for its use. In the case of Great Britain, less than 10% was available for free disposal by Uruguay. With Germany, although reservations had been made for the use of the 30% in the manner deemed best by Uruguay, agreements had nevertheless been entered into between the two countries for the application of the 30% to certain old commercial indebtedness of Uruguay to German interests which included payments for telephone

¹ Juan José de Arteaga.

² J. Richling.

equipment bought from the Siemens Company. In the case of Sweden, the entire amount of 30% was available for the free use of Uruguay. As to Spain, although the formula of the distribution of percentages was the same as indicated above, nevertheless there was nothing available for use by Uruguay because of the large number of remittances made by Spaniards to their relatives in Spain.

Let me state confidentially here that the above may indicate that the 30% reserved by Uruguay, ostensibly for its own purposes, is perhaps a form of saving face for its negotiators and when public statements are made for home consumption by the Ministry for Foreign Affairs. The fact is that, as in the case of Germany and wherever old indebtedness exists, redemption is effected through the use of funds included within this 30%.

Respectfully yours,

LEON DOMINIAN

611.3331/54

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

No. 983

MONTEVIDEO, February 21, 1935.

[Received March 4.]

SIR: I have the honor to inform the Department that in the course of a conversation that I had this morning with the Minister for Foreign Affairs he informed me that he had recently been subjected to pressure on the part of the Uruguayan cattle interests for the purpose of inducing him to initiate negotiations looking to the conclusion of a trade agreement with the United States. The Minister informed me that the cattle interests, which wield considerable influence in Uruguay, have been complaining considerably of late about alleged inactivity on his part to discuss a trade agreement with the United States, which they believe would improve their economic situation and that in consequence delegations of cattle raisers from various sections of the country were visiting him daily and asking that he endeavor to negotiate a trade agreement with the United States at once.

I may state that this was the first time in which I noted that the Minister showed visibly his desire to hasten the initiation of trade negotiations. His attitude led me to think of the really difficult economic situation now prevailing in Uruguay for various causes, among which may be cited the inability of the wool growers to dispose of their products, as reported in my Confidential Despatch No. 974, of February 18, 1935,³ and the fact that the recently-concluded trade agreements with a number of European countries do not appear to have resulted in an increased disposal of Uruguayan exportable com-

³ Not printed.

modities. An unfavorable situation is thus created for the Government, which, its members apprehend, will increase the number of partisans of the dissatisfied factions. Minister Arteaga inquired why so much delay was occurring in the initiation of a trade agreement, and showed me a despatch from Minister Richling, written sometime in December last, in which the Uruguayan Minister informed the Ministry of Foreign Affairs that he had been given assurance at the State Department that discussions on a commercial treaty with Uruguay would be begun simultaneously with the negotiations to be undertaken with Argentina for a similar purpose, and that the matter of a commercial agreement with Uruguay would not be postponed until negotiations with Argentina had been concluded.

I informed the Minister that I was unable to give him information regarding the date at which negotiations for commercial agreements with Argentina or Uruguay would be initiated, but that I would not hesitate to give him any information on the subject which I might have later on.

The Minister then expressed himself with definite emphasis as being prepared to grant anything possible in the way of concessions to American trade, particularly in the way of removal of the present exchange difficulties, if it were possible for the United States Government to reduce the present tariff on meat as a facility to the cattlemen of his country.

He also told me that he would agree to an unconditional most-favored-nation clause stipulation in a trade agreement with a country having such economic importance as the United States. However, he was still opposed to this stipulation when dealing with countries of minor economic importance or when purchases of Uruguayan products were slight.

It is also possible that the sense of urgency which undoubtedly prompted the Minister in his talk with me this morning is due partly to the slowness characterizing the trade negotiations which have been going on between British and Uruguayan delegates in London. Less than a week ago the British Minister expressed himself to me as not being hopeful about the possibility of a speedy conclusion of a trade agreement with Uruguay. This circumstance, added to the diverse factors underlying the general Uruguayan economic situation, as reported above, probably led the Foreign Minister to indicate to me, with plain manifestation of his desire for speedy action, the readiness with which he would undertake negotiations for a trade agreement.

Respectfully yours,

REPRESENTATIONS RESPECTING CUSTOMS DISCRIMINATIONS
AGAINST AMERICAN IMPORTATIONS INTO URUGUAY

633.003/284

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

No. 1104

MONTEVIDEO, May 10, 1935.
[Received May 20.]

SIR: I have the honor to inform the Department that as a result of complaints made by importers of American products against the recently enacted increase of from 20% to 40% over the present rates in customs duties, I asked the Minister of Foreign Affairs⁴ yesterday to provide me with a copy of the text of the decree authorizing the increased customs rates.

I ascertained that representations against the increased tariffs were made by the Ministers of Belgium, Germany and Italy as well as by the Chargés d'Affaires of Great Britain and France. On talking with these gentlemen I found that they claimed that the interests of their nationals who exported products to Uruguay were adversely affected by the increase in customs rates.

I abstained yesterday from making any representations at the Ministry of Foreign Affairs pending the receipt of the text of the new customs regulations. It appears that this text has not been communicated to the press nor have any of the interested Legations been able to secure a copy of it. The Minister of Foreign Affairs did not promise to let me have one but referred me to the Minister of Finance from whom he stated I would probably be able to secure a copy. However, he also informed me that he thought that in view of the representations which had been made by a number of foreign Ministers in the capital, the Minister of Finance would have to reconsider his decision and reduce the proposed increases. I understand, in fact, that the increased rates have been reduced temporarily for the duration of the current month.

The increase in customs duties was intended to procure additional revenues to the customs receipts which had decreased appreciably as a result of the restrictions imposed in the course of the last year on imports and exchange transactions. The consensus of opinion is that the proposed increase in customs duties will contribute to a further diminution of the customs revenues as a new restriction on the importation of foreign products into Uruguay will thus have been introduced.

⁴ Juan José de Arteaga.

The data I have to date on the subject are insufficient to warrant representations being made on a plea of discrimination and I shall be unable to decide whether the new measure will entail discrimination against American exports to Uruguay until I have gone over the text of the new regulations. Nevertheless, I have felt that a request made officially for a copy of the text of the new customs regulations would serve to indicate the Legation's intention to act in the protection of American interests, if necessary, and I made it a point to inform the Minister of Foreign Affairs that I hoped that the new measures did not contain discriminatory provisions against our export trade.

I found that the Minister of Foreign Affairs' opinion was that the new increases in customs rates would have to be modified as the Council of Ministers realized that local business associations, Uruguayan and foreign, opposed them. His personal view was that there was danger of a further decrease in customs revenues if the increased rates were maintained on account of their prohibitory character.

Respectfully yours,

LEON DOMINIAN

633.116/25

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

No. 5

WASHINGTON, June 13, 1935.

SIR: There are enclosed copies of a communication dated June 6, 1935, from Senator Charles L. McNary, and the Department's reply thereto,⁵ with respect to the difficulties encountered by the Douglas Fir Exploitation and Export Company in competition with Russian lumber in Uruguay. In connection with this situation reference is made to despatch No. 647 dated May 23, 1935, from the American Consul General at Montevideo.⁶

You are requested to make appropriate investigation of the allegation contained in Senator McNary's letter to the effect that preferential customs concessions are being granted to imports of Russian lumber. If your investigation should reveal that preferential customs treatment is being given Russian imports over American imports, you may take up the matter with the appropriate officials of the Uruguayan Government and request that the discrimination be removed. The results of your investigation and of any action taken in the premises should be transmitted by air mail.

Very truly yours,

For the Secretary of State:
SUMNER WELLES

⁵ Neither printed.

⁶ Not printed.

633.113/13

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

No. 34

MONTEVIDEO, June 28, 1935.

[Received July 8.]

SIR: I have the honor to refer to the Department's despatch dated June 13, 1935 concerning the difficulties encountered by the Douglas Fir Exploitation and Export Company in competition with Russian lumber in Uruguay and to report the results of our investigation in the premises.

The bid on one tentative transaction involving three million feet of lumber, which was cited in particular, originated from an offer of purchase by one of the most responsible lumber importers in this market who has dealt extensively with American exporters. He deals through the well known firm of Leng Roberts & Company, Buenos Aires. He stated that the price of the American company was good and the quality of its merchandise superior, compared with the Russian product. The Russian price laid down in Montevideo, however, was much lower due to more favorable exchange facilities and to lower customs duties; in fact, so much lower that the American offer could not have been reasonably accepted.

The Department is aware of the provisions of the various laws and decrees concerning liquidation of imports under the present quota and exchange restrictions from despatches and reports from this office and from the Consul General at Montevideo. Up to the present time no permits have been granted by the Exchange Control Board to importers of American lumber for purchase of exchange at the "controlled free" rate. They have been forced to liquidate at the less favorable "free" rate. The exchange cost alone is approximately 20% more to dealers purchasing exchange at the "free" rate than to others who are privileged to purchase "controlled free" exchange.

In addition to that handicap, however, the importer of American lumber now has a higher customs duty to pay than the importer of Russian lumber. This difference is the result of several acts of local authorities.

It was reported by the press on Saturday, May 4, 1935, that new rates of calculation of the equivalent in Uruguayan paper pesos of that part of customs duties (25%) payable in gold pesos, was to be effective as of May 1, 1935*. No decree embodying those provisions has ever been published nor has it been admitted to exist by either the Foreign Office or the Ministry of Finance. The Bank of the

*Note. See report of Consul General at Montevideo dated May 7, 1935, entitled "Alterations of Customs Duties Payable in Gold". [Footnote in the original; report not printed.]

Republic admitted the application of the duties involved but insisted that the measure was "an Internal Administrative Resolution". The effect was to increase the customs duties chargeable on goods for which no permit for purchase of "controlled free" exchange could be obtained, to a figure approximately 39% higher than the customs duties charged on goods favored with such "controlled free" exchange permits. It is of importance to bear in mind that this charge is a customs duty, payable on the customs valuation, and not an exchange charge on the liquidation of the purchase.

A subsequent presidential decree[†] dated May 9, 1935, and published in the *Diario Oficial* of May 18, 1935,[‡] implicitly admitting the existence of the former action, modified the amount of the increase in duties by 50% at the request of local importers. A further decree § extended the date of effectiveness to June 15 in response to allegations of the importers that both measures were retroactive and confiscatory in character. Since the expiration of the period of extension, the first measure has now gone into effect as originally established.

It would appear that these measures are discriminatory insofar as they affect customs duties since they penalize particular goods coming from particular countries which are not in possession of a permit for purchase of "controlled free" exchange—a permit which is arbitrarily granted or withheld by the Exchange Control Board. While the customs duties are established on the basis of the class of exchange granted to the importer, it would not appear to be a defensible argument that they are not discriminatory because they are so dependent upon a system that has not yet been successfully challenged. In application they do appear to be discriminatory since they assess two different rates of duty on similar products from different countries of origin.

The Bank of the Republic, during the latter part of March, or early April, 1935, is understood to have entered into a contract, or agreement, with Russian interests (asserted to be the Iuyantorg) for barter of various national products, principally Uruguayan hides and Russian lumber. The amount is stated to be £300,000. The agreement has not been published in detail although the press has referred to it in a general way. The Foreign Office states that it is not in possession of a copy and the Bank of the Republic will not inform this

[†]Note. See text in report of Consul General at Montevideo dated May 15, 1935, entitled "Further Alterations in Customs Duty Payable in Gold". [Footnote in the original; report not printed.]

[‡]Note. See report of Consul General at Montevideo dated May 18, 1935, entitled "Reporting Publication of Decree Modifying the Uruguayan Customs Duties Payable in Gold". [Footnote in the original; report not printed.]

§Note. See Consul General's report dated May 27, 1935, entitled "Increase in Portion of Customs Duties Payable in Gold". [Footnote in the original; report not printed.]

office of its terms. It is known, from various responsible importers and bankers, that the agreement allows imports of specified Russian products, including lumber, to be liquidated at the "controlled free" rate of exchange. This agreement is distinct, and aside from, the quota applying to Russian imports by virtue of the quota law. As stated previously, that permission carries with it (under the terms of the "Internal Administrative Resolution") the privilege of lower customs duties.

The importer who was the interested agent in the bid of the Douglas Fir Exploitation and Export Company provided this office with a detailed account of the difference in customs duties only, which would have obtained in the importation of that lot of lumber from the United States and the same lot from Russia. His figures show that the former would have been charged at the rate of 32.146 Uruguayan paper pesos per thousand feet while the latter would have paid only 29.0912 pesos per thousand feet. On the lot of 3,000,000 feet, therefore, the total difference would have been 9,164.40 paper pesos in customs duty. The duty on American lumber would be, therefore, 10.5% higher.

I have withheld formal protest to the Foreign Office in view of two important considerations: the fact that assurance has been given that American lumber dealers will secure preferred exchange after July 1, when the quotas for the next period will be established and my desire not to prejudice that eventual favorable action, and to a desire for the Department to consider the advisability of protesting on general principle rather than on this specific lumber case.

It is possible that the interests of American lumber interests might be best served by delaying protest until after the fixing of the quotas for the next period. Formal protests, on this lumber case, might tempt the Import and Export Commission to establish less favorable conditions than they otherwise would.

It appears to me that the United States has grounds for protest on general principle. Customs duties have been made unequal in application on similar goods coming from the United States and other countries. They have been established without any officially acknowledged treaty, agreement, or other usual instrument. They are termed internal administrative measures and have not been published nor have the Foreign Office, the Ministry of Finance, or the Bank of the Republic provided copies of these measures on request. They would appear to be discriminatory in character and effect.

It is suggested that a general protest might be supported and illustrated by reference to the effect on American lumber interests, but it is believed that a specific protest on this case would have less effect and might adversely affect the imminent action of the Commission on

Imports and Exports. Finally, it should be noted that these measures affect not only American lumber interests but all exporters of American products which have come, or may come, into competition with goods from third countries enjoying privileges similar to those granted to Russia.

For the reasons stated, I respectfully request that the Department consider the desirability of a protest on general, rather than specific, grounds, and that I be instructed further in accordance with its decision.

Respectfully yours,

JULIUS G. LAY

633.113/13

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

No. 11

WASHINGTON, July 22, 1935.

SIR: The Department acknowledges the receipt of your despatch No. 34 of June 28, 1935, with reference to the Department's air mail instruction No. 5 of June 13, 1935, authorizing you to request of the appropriate officials of the Uruguayan Government that discriminatory customs treatment of imports of American lumber be removed. The Department approves your suggestion that you be authorized in your discretion to protest on general principle the discriminatory effect on American trade of recent Uruguayan customs legislation and decrees rather than merely taking up the specific discrimination against American lumber reported in your despatch under acknowledgment.

Very truly yours,

For the Secretary of State:
SUMNER WELLES

633.113/10

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

No. 17

WASHINGTON, August 13, 1935.

SIR: There is enclosed a copy of a letter, dated August 5, 1935,¹ received from the American Manufacturers Export Association, of 330 West Forty-second Street, New York, New York, reporting a rumor that the Uruguayan Government has increased customs duties on all articles imported from the United States by 30%, whereas for other countries the duties were raised by only 15%.

You are requested to investigate the matter and if your investigation shows that there is customs discrimination against the United

¹ Not printed.

States, you are authorized to take the matter up with the Uruguayan Minister for Foreign Affairs and ask that the discrimination be removed.

Very truly yours,

For the Secretary of State:
SUMNER WELLES

633.113/14

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

No. 65

MONTEVIDEO, August 23, 1935.

[Received September 3.]

SIR: I have the honor to refer to the Department's instruction No. 11 of July 22, 1935 (File No. 633.116/27 [633.113/13]) and to report that on August 10, 1935, I addressed a note to the Minister of Foreign Affairs of Uruguay citing instances of customs discriminations against American products and urgently requesting that steps be taken to assure equitable customs treatment to all American goods entering this country.

Respectfully yours,

JULIUS G. LAY

633.113/11

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

No. 66

MONTEVIDEO, August 23, 1935.

[Received September 3.]

SIR: I have the honor to acknowledge the receipt of the Department's instruction No. 17 dated August 13, 1935 (File No. 633.113/10) reporting a rumor that the Uruguayan Government has increased customs duties on all articles imported from the United States by 30%, whereas for other countries the duties were raised by only 15%.

There has been no recent increase in customs duties, per se, in Uruguay. It is probable that the informing member of the American Manufacturers Export Association confused exchange restrictions with customs discrimination. A customs discrimination, much smaller than that reported to the Department, does, however, exist and was the subject of my despatch No. 34, dated June 28, 1935 (File No. 628). I have requested the Uruguayan Foreign Office to secure the removal of that discrimination.

It is true that the small customs discrimination to which reference is made above, plus unfavorable exchange restrictions, force importers of many American products to pay as much as 30% more for such products laid down in Montevideo than they would pay for similar products of other origin. The major part of that difference, how-

ever, is the result of having to remit against American invoices at an exchange rate higher than that permitted for products from other countries. In this connection, reference is made to an unnumbered report dated July 5, 1935, entitled "Uruguayan Import Permits Granted During Second Quarter of 1935" and to a Strictly Confidential despatch No. 647 dated May 23, 1935 entitled "Further Report on Position of American Trade under Uruguayan Import Quota System" from the Consulate General in Montevideo.⁸

The effect is to increase the cost of American products in Montevideo by 30% in some cases but the cause is, primarily, exchange discrimination. There is no other known customs discrimination in Uruguay than that which has already been made the subject of diplomatic correspondence seeking its early removal.

Respectfully yours,

JULIUS G. LAY

833.77/249a : Telegram

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

WASHINGTON, November 15, 1930—1 p.m.

33. The American Car and Foundry Company alleges that, although it is the low bidder, there is a possibility that because of German pressure and Uruguayan trade policy the Uruguayan Government may give an order for railway equipment to German manufacturers. Please endeavor discreetly to ascertain whether discrimination has occurred or is likely to occur against American bidders for this order.

Please report briefly by cable. If discrimination is clearly indicated and the matter appears urgent you may informally discuss the matter with the appropriate Uruguayan authorities expressing the hope that American concerns will be allowed to compete for Uruguayan Government business on equal terms with other foreign firms.

HULL

833.77/250 : Telegram

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

MONTVIDEO, November 16, 1935—noon.

[Received November 16—11:35 a.m.]

63. Department's 33, November 15, 1 p.m. Since matter appears urgent and German Minister is offering to take frozen meats in payment of railway coaches invoking recent trade agreement signed November 6th, asked Minister of Foreign Affairs that tender American Car and Foundry be awarded on its merits and have informally

⁸ Neither printed.

asked Minister of Finance today for status of case advising him that the Department had made inquiry. Watching case closely and doing all possible to secure equal treatment for this and other American firms.

LAY

633.113/17

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

No. 140

MONTEVIDEO, December 27, 1935.

[Received January 4, 1936.]

SIR: Referring to Department's Instructions No. 11 of July 22, 1935, No. 17 of August 13, 1935 and No. 22 of September 10, 1935,⁹ and Despatches from the Legation Nos. 65 and 66 of August 23, 1935, No. 85 of September 10, 1935 and No. 94 of October 1, 1935,¹⁰ regarding discriminatory customs treatment of imports of American lumber and other products, I have the honor to enclose herewith copy and translation of a note from the Uruguayan Foreign Office of December 23, 1935, in reply to mine of August 10, 1935¹¹ (transmitted to the Department with Despatch No. 94 of October 1, 1935) from which it appears that the discriminatory customs treatment of lumber and a number of other commodities, complained of in my note, is to be removed.

Respectfully yours,

JULIUS G. LAY

EFFORTS OF THE DEPARTMENT OF STATE TO SECURE EQUITABLE TREATMENT FOR AMERICAN INTERESTS WITH RESPECT TO URUGUAYAN EXCHANGE RESTRICTIONS¹²

833.5151/268

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

No. 903

MONTEVIDEO, January 2, 1935.

[Received January 14.]

SIR: I have the honor to inform the Department that the question of exchange was once more the subject of a conversation this morning between the Minister for Foreign Affairs¹³ and myself. Today's interview was brought about by complaints which had been reported to me occasionally during the past three months to the effect that local agents of American exporting firms had been told when applying

⁹ No. 22, September 10, not printed.

¹⁰ Nos. 85 and 94 not printed.

¹¹ Neither printed.

¹² Continued from *Foreign Relations*, 1934, vol. v, pp. 647-664.

¹³ Juan José de Arteaga.

for exchange at the Bank of the Republic that they should purchase their products in Great Britain rather than in the United States. When a case of this kind first came to my attention about three months ago, I found that the complainant was unwilling to allow use of his name and allegations in support of representations which I might make at the Foreign Office, lest retaliation in the form of absolute refusal by the Exchange Control authorities would meet future applications on his part. I also suspected that the demand for American products, which is generally constant, tended to cause quick exhaustion of any dollar exchange which became available.

During the past week, however, two cases of this type were brought to my attention by the Consul General and I thought that their discussion with the Minister for Foreign Affairs would reveal how matters really stood. I was concerned mainly with the prevention of discrimination against American products or any deliberate attempt at diversion of the normal demand from Uruguay for American products.

Accordingly, I informed the Minister for Foreign Affairs that I had knowledge that officials of the Exchange Control Department of the Bank of the Republic had advised, on various occasions, applicants for dollar exchange to make their purchases in Great Britain. I added that he could readily see how disagreeable an impression was being created whenever these agents conveyed news of the advice given to them at the Banco de la Republica to their principals in the United States. At a distance from Uruguay, the natural reaction would be that attempts were being made to divert American trade into British channels.

Minister Arteaga stated that he was greatly surprised that employees of the Bank of the Republic should give advice in the manner reported above. He added that no one in the Bank was authorized to make suggestions of that character and that he would make inquiry with a view of putting an end to the occurrences concerning which complaints had reached me. He then went on to explain that he was certain that no hostility was meant to American trade, even if some uncautious official had made such a statement, which, he said, was probably caused by the shortage of dollar exchange in Uruguay. It was therefore natural that minor officials should point out that sterling exchange was available. He spoke of statistics for the first ten months of 1934 regarding the trade balance between Uruguay and the United States, which, he stated, indicated that it was unfavorable to Uruguay by 1,000,000 pesos, or about \$400,000, and that his country was compelled, because of its adverse economic situation, to balance its international trade. He knew, he said, that we were an important customer

of Uruguayan products and assured me that nothing would be done in Uruguay which would impair our value as a client.

My reply was that I had been informed that our purchases of Uruguayan products, particularly of meat, had increased appreciably during the last quarter of 1934. He stated he had not yet received statistics on the last two months of the year. I said that we had preliminary figures which indicated that the trade of our respective countries would probably be balanced and that, moreover, I had been informed that our purchases of Uruguayan meat had exceeded expectations during the past three months. I pointed out to him that there was a steady growth of our imports from Uruguay and that I considered it important that nothing should intervene to prevent the continuation and steady increase of these purchases on our part which I believed were of important assistance to the restoration on a sound footing of Uruguayan economy. The Minister again stated that he would give immediate attention to the matter and take steps to prevent officials of the Bank of the Republic from giving rise by their attitude or statement to complaints on our part.

Respectfully yours,

LEON DOMINIAN

833.5151/269

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

No. 904

MONTEVIDEO, January 2, 1935.

[Received January 14.]

SIR: Referring to the Legation's despatch No. 903 of today's date relative to my representations about the attitude of certain exchange officials, I have the honor to report further that this morning's conversation with the Minister for Foreign Affairs led to our reviewing Uruguay's general international economic position, in the course of which he told me that a number of agreements had been perfected in 1934 between the Bank of the Republic and the national banks of various countries. The Legation's despatch No. 807 of October 25, 1934,¹⁴ referred to the agreement between the Reichsbank and the Banco de la Republica. Similar agreements, the Minister for Foreign Affairs stated, had been entered into between the Banco de la Republica and the banks of France, Belgium, Sweden, and Spain. With the latter country a treaty had been signed today. He then expressed himself as being in favor of a banking agreement between the Bank of the Republic and a representative American bank which,

¹⁴ Not printed.

he said, would operate as a preliminary accord pending the conclusion of a commercial treaty in due time.

Voicing his views on such agreements, he said that it was going to be more than ever the policy of Uruguay to buy from the countries which bought Uruguayan products. He added that this policy was forced upon Uruguay by the countries which enjoyed favorable trade balances with Uruguay and that conservation of the natural resources of his country required such a policy on the part of his Government.

He went on to say that the banking agreements made during 1934 by Uruguay had been based generally on the return to the countries of origin of 60% of the exchange derived from them. That 10% was applied to frozen credits and 30% was devoted to financial transfers which Uruguay deemed convenient and which included exchange payments to countries from which Uruguay purchased certain necessary commodities but which did not buy Uruguayan products. His suggestion was that a banking agreement on the above bases should be negotiated between the Bank of the Republic and an American bank. He added that he thought that this type of banking agreement would eliminate a good deal of the vexations caused by the difficulties encountered by American firms in applying for dollar exchange.

I told him that I would give further thought to his suggestion and inquired whether the disposal of exchange according to the percentages indicated by him which I have reported in the preceding paragraph, had been agreed upon by all countries from which foreign exchange flowed into Uruguay. My inquiry was based on complaints previously made by the Minister to the effect that the European countries with which Uruguay had concluded banking agreements insisted on the return of all exchange emanating from them.

He admitted then that Germany and Spain had absolutely insisted on the return, in the form of Uruguayan purchases, of all German and Spanish exchange. As to the other countries, he said that at least 10% was available for Uruguay to dispose in the manner in which the Uruguayan exchange authorities deemed appropriate.

It may be gathered from the above that there has been no change in the commercial policy initiated during 1934 by Uruguay and consistently followed since then. The basic aim of this policy consists in preventing international trade balances from being unfavorable to Uruguay. It has led to the declaration repeatedly made by members of the Uruguayan Government that importations into Uruguay would be made from countries which are customers of Uruguay.

Respectfully yours,

LEON DOMINIAN

833.5151/263

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

No. 309

WASHINGTON, January 21, 1935.

SIR: You are requested to report on the discriminations against private American companies selling petroleum products in Uruguay alleged in the enclosed copy of a letter, dated December 28, 1934, from Mr. H. Walker, of the West India Oil Company.¹⁵ You should include in the report a statement of your views as to the advisability of making representations to the Uruguayan Government in the matter. To obtain the information requested in this instruction you are authorized, in your discretion, to discuss the matter informally with appropriate officials of the Uruguayan Government.

Very truly yours,

For the Secretary of State:
WILLIAM PHILLIPS

833.5151/263 : Telegram

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

WASHINGTON, February 14, 1935—6 p.m.

2. Please send by airmail the report requested in Department's instruction No. 309, of January 21, also reporting whether the oil companies have a possibility of obtaining through legal action redress for the alleged discriminations in favor of the State-owned company. What are the prospects of American oil companies arriving at an early satisfactory adjustment of their various difficulties with the Government?

HULL

833.5151/279 : Telegram

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

MONTEVIDEO, February 15, 1935—11 a.m.

[Received 11:52 a.m.]

15. Referring to Department's telegram of February 14, 6 p.m., No. 2, Legation's despatches 957 of February 4th and 970 of today's date¹⁶ constitute the report requested. I am informed by managers

¹⁵ Not printed. Mr. Walker complained of discriminations in Uruguay against American oil companies. One of the discriminations alleged was "preference granted to the governmental oil distributing agency 'Ancap' in the matter of granting foreign exchange."

¹⁶ Despatches not printed.

of oil companies that their lawyers state that their case for alleged discrimination in favor of the state-owned company has strong legal grounds on which to claim redress. However, serious consideration must be given to the active efforts of the state-owned company to assume increasing control of the oil selling industry in Uruguay and the propaganda of nationalistic character which it is carrying on to secure practical monopoly of the business.

As a result of my discussions of the subject yesterday morning with the Minister for Foreign Affairs, we agreed that the immediate calling of a conference between representatives of foreign oil companies, of the state-owned company and of the Exchange Control Commission might lead to a satisfactory adjustment of the various difficulties lately experienced by the foreign oil companies and steps are now being taken to bring about such a conference.

DOMINIAN

833.5151/288

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

No. 988

MONTEVIDEO, February 26, 1935.

[Received March 11.]

SIR: In continuation of the Legation's despatch No. 982, of February 21, 1935,¹⁷ in which I informed the Department that a meeting had been called for the purpose of enabling complaints of the American importers on the subject of exchange to be discussed with representatives of the Government, I have the honor to report that the meeting was held yesterday in the office of the Minister of Finance in the presence of this official and that of the Minister for Foreign Affairs. I attended the meeting with the President of the American Association of Uruguay and the Chairman of the Commerce Committee of the Association, which section is the equivalent of an American Chamber of Commerce in this city pending the organization of an American Chamber of Commerce, which is now being undertaken. Representatives of the American packing companies operating in Uruguay were also present, as well as two delegates of the cattlemen's association, who, although not particularly interested in the question of the complaints made by American importers regarding the vexations created by the present exchange regulations, had been invited to attend by the Minister for Foreign Affairs, who desired to show them that he was doing everything in his power to help their interests in the trade of Uruguay with the United States. I may add that my

¹⁷ Not printed.

own presence at this meeting was largely determined by the knowledge that the two Ministers above named were to be present and that I confined myself to the role of an observer throughout the meeting.

As representative of American exporters, the Chairman of the Commerce Committee of the American Association of Uruguay presented the grievances of the importers of American products relative to their inability to secure dollar exchange when they applied for it. He pointed out that in many instances the exchange officials refused the granting of dollar exchange without giving any reason for their refusals beyond the statement that no dollar exchange was available and that, occasionally, they had suggested that applicants for dollar exchange purchase sterling exchange or marks and make their purchases in Great Britain or Germany.

The Minister of Finance himself replied to these grievances, stating that Uruguay found itself, economically and financially, in a situation which prevented its exchange officials from conceding dollar exchange unless dollars were available in the Bank of the Republic as a result of purchases of Uruguayan goods by importers in the United States. He pointed out that in past years the dollar exchange granted to American exporters had exceeded the value of purchases of Uruguayan products made in the United States, and that it was only by converting exchange from other countries into dollars that the American demands had been met. Such a diversion of exchange of non-American origin to American interests was possible, he stated, as long as European countries had not insisted on the total return of exchange derived from their purchases of Uruguayan products. However, during 1934, he stated, the pressure from the European countries for the return of their exchange had increased, and that this insistence had been finally embodied in commercial agreements which, however provisional in character, nevertheless prevented Uruguay from applying any non-American exchange to purchases of dollar exchange made on behalf of American interests. He foresaw that this situation would last for some time yet, and stated that it was impossible to create dollar exchange in Uruguay except through American purchases of Uruguayan products. He read statistics compiled by the Bank of the Republic, which indicated that payments for dollar exchange sent to the United States from Uruguay in 1934 had attained the value of some 9,000,000 pesos, while American purchases of Uruguayan products had not exceeded 7,300,000 pesos. An unfavorable balance of some 1,700,000 pesos thus resulted for Uruguay, to which, he stated, it was necessary to add about 2,000,000 pesos required annually for the payment of debt service on Uruguayan bonds held in the United States. He claimed that if this total of 4,000,000 pesos could be provided in the form of increased purchases of Uruguayan products by

importers in the United States, the present exchange situation would improve materially, as far as American interests were concerned, and he believed that the American demand for dollar exchange would be covered by means of the balancing of the payments between the two countries.

The Minister for Foreign Affairs then inquired of the representatives of the packing plants whether they foresaw favorable prospects for an increase in exports of Uruguayan meat to the United States in 1935, in order to wipe out the 4,000,000 pesos deficit. The packers' reply was that exports of canned meats from Uruguay to the United States had increased considerably toward the end of 1934 and that this increase appeared to be maintaining itself at present, but that they did not think that the progression would continue indefinitely. On the other hand, they stated that they had begun to export hides and lard to the United States in larger amounts than formerly, and that they believed that the prospects of a substantial increase of these two commodities were favorable, so that a portion of the 4,000,000 pesos necessary for the balance of payments between Uruguay and the United States would probably be forthcoming through these new exports.

This statement by the representative of the packing plants was very satisfactory to the delegates of the cattle interests who were present. The Uruguayans present were also pleased at the offer made by the Chairman of the Commerce Committee of the American Association to recommend that duties on meat be lowered by fifty percent in the United States.

In making this statement, the Chairman of the Commerce Committee also laid stress on the necessity of creating a favorable atmosphere for any negotiations which might eventually be undertaken in Washington preliminary to the conclusion of a reciprocal trade agreement with Uruguay. He pointed out that a bad impression had been created as a result of the refusal, in many instances, of the exchange officials to grant dollar exchange to importers of American products, and while the Commerce Committee of the American Association understood and appreciated the difficulties of the Uruguayan economic and financial situation, these difficulties were generally unknown in the United States. Thus, the action of exchange officials in denying exchange to American importers might result in its being considered as antagonism to American interests.

It was evident from the statements made by the Minister of Finance, and with which the Minister for Foreign Affairs acquiesced, that

whatever dollar exchange reached Uruguay would have to cover all forms of dollar payments to be made in the country. The Minister of Finance stressed the necessity of covering interest service charges on Uruguayan bonds held under American ownership, as well as of providing the amounts required by the amortization of the bonds issued in payment of frozen credits, through the dollar exchange available in Uruguay as a result of American purchases of Uruguayan products.

It is the contention of local American interests that the debiting of interest service payments and of charges arising out of bond amortization, both of which are charges to which the Government of Uruguay obligated itself in former years, to dollar exchange accruing from commercial transactions, is an unfair burden to be imposed on the American export trade. This viewpoint, the validity of which appears incontrovertible, was set forth during the meeting by the Chairman of the Commerce Committee of the American Association of Uruguay.

It was evident also, from the manner in which the Ministers of Foreign Affairs and of Finance expressed themselves, throughout the meeting, that the prospects of securing dollar exchange in larger amounts by American interests were unfavorable unless a greater amount of dollar exchange could be made to flow into Uruguay. This appears to be possible only through increasing purchases of Uruguayan products by American interests.

My impression, therefore, of the results of this first meeting is that while it will be difficult to remove the vexations of which importers of American products complain, the coming together of American and Uruguayan interests in the above-reported manner to discuss means of eliminating vexations arising as a result of the application of Uruguayan restrictive trade measures, may eventually lead to a happy solution of the problem. There appears to be no reason to doubt the good faith of the Uruguayan Government officials in the matter of granting exchange to American interests, and I believe that they prefer to see their countrymen deal with the United States if possible, because of the confidence they have in the permanent character of the export trade of Uruguay to our country.

The meeting is to be followed by others at which representatives of American exporters and exchange officials will continue their conversations in an effort to prevent difficulties due to the exchange situation.

Respectfully yours,

LEON DOMINIAN

833.5151/291

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

No. 998

MONTEVIDEO, March 2, 1935.

[Received March 18.]

SIR: Further with reference to the Legation's despatches Nos. 970, of February 15, 1935, and 992, of March 1, 1935,¹⁸ relative to alleged discrimination against American oil companies in favor of the State-owned ANCAP¹⁹ oil selling and distributing agency, I have the honor to inform the Department that I have learned that the British Minister was instructed by cable on February 26th by his Government to make representations on behalf of the Shell Mex Oil Company about exchange discrimination against this British company and in favor of the ANCAP, for naphtha imported by the ANCAP and for which the State-owned institution had been granted official and part compensated exchange.

In the Legation's despatch No. 957, of February 4, 1935,²⁰ I pointed out the desirability of simultaneous, though independent, action by the American and British Legations on behalf respectively of American and British oil companies when discussing with the Uruguayan Government any phase of discrimination in favor of the ANCAP which jeopardized the legitimate operations of these oil companies. My despatch No. 970, of February 15, indicated that the Uruguayan Government acted very quickly in promoting a conference between the foreign oil companies and appropriate officials of the Uruguayan Government upon realization of the fact that complaint about exchange discrimination was being made on behalf of American and British oil companies by their Legations. The British Minister's action in adding his representations to those I had made at the opportune moment, after receipt of the Department's instruction No. 309, of January 21, 1935, has strengthened the position of all the foreign oil companies with regard to the claim they are making for equal treatment with the State-owned ANCAP institution. As the case under consideration involves similar interests of the foreign oil companies operating in Uruguay vis-à-vis the State-owned ANCAP organization, it is believed that close cooperation of the foreign oil companies is essential as long as the ANCAP continues to receive advantages which are denied to private companies.

Respectfully yours,

LEON DOMINIAN

¹⁸ Neither printed.¹⁹ National Administration of Fuel, Alcohol, and Cement.²⁰ Not printed.

833.5151/313

The Consul General at Montevideo (Reed) to the Secretary of State

No. 647

MONTEVIDEO, May 23, 1935.

[Received June 3.]

SIR: I have the honor to report the results of two further interviews with officials of the Bank of the Republic of Uruguay in regard to the position of American commerce under the Uruguayan import quota law²¹ which became effective January 1, 1935. Although information had already been obtained as to the quotas assigned to the United States and other nations for the second quarter of 1935, it was of an unofficial character, as no reply had been received to my written inquiry on this subject, which also requested the Bank's figures of exports to the United States during the first quarter, on which the quota for the second quarter was to be based. In the meantime various complaints had been received from importers of American goods, some that they were unable to obtain import permits, and others that they were suffering because foreign competitors were securing permission to import with the assistance of free controlled exchange (allotted officially), which gave such competitors a price advantage of about 15% over importers of American goods not obtaining official allotments of exchange, but purchasing it at free market rates. In particular, importers of American lumber complained that they could not compete with Russian lumber because of this situation.

An interview was therefore arranged with the President of the Bank of the Republic. A general discussion took place in regard to the position of American business, and the quotas allotted, and advantage was taken of the occasion to inform the President of the Bank of the rapid increase in the value of Uruguayan exports to the United States, and the fact that the United States now occupies a position of importance among Uruguay's customers, being third in rank. He did not seem to be aware of these facts and spoke as if the United States sold to Uruguay but bought little or nothing. The President of the Bank did not have at his disposition any concrete data in regard to the American quotas or the procedure being followed, but arranged an interview for the following day for me with the head of the Bank's Department of Exchange, instructing him to prepare and furnish me with the data desired. The latter is an official who has occupied a position of great responsibility since the imposition of exchange control in Uruguay, over four years ago, serving at first as chair-

²¹ Law of November 9, 1934, for economic and financial readjustment; became effective on January 1, 1935, pursuant to a decree of December 18, 1934. A Spanish copy and a translation of the law are in Department's files under 833.5151/251.

man of the Honorary Exchange Control Commission, and is now on the Honorary Commission on Imports and Exchange. His position is probably more influential than that of any official concerned with this class of work, since, in his function as head of the Exchange Section of the Bank, he passes upon applications for imports to be paid for by free exchange, and his decision governs the subsequent action of the Honorary Commission on Imports and Exchange in deciding whether import permits not accompanied by requests for controlled exchanges should be granted or refused.

This official, Señor Silveira Zorzi, was already personally known to the writer, but had not been interviewed recently, it having been desired to refrain from appearing to exercise any pressure on behalf of any special interests, and questions of principle having been taken up in writing in letters addressed to the General Manager of the Bank or through diplomatic channels, by the Legation.

In the course of the interview with Señor Silveira Zorzi, the latter furnished all the information desired. He stated that the quota for the United States for the second quarter of the year had been fixed at nearly 15,000,000 French francs, as compared with 8,000,000 for the first quarter of the year, and that the figure of 5,000,000 francs which I had obtained unofficially, was for goods, as distinct from debt services, (thus confirming the verbal information from other sources previously reported). He also added that this quota was based on Uruguayan exports to the United States during the first quarter of the year, as compiled from the bills of exchange purchased by the Bank of the Republic, which showed a total of nearly 18,000,000 French francs. It was gratifying to note that the Bank's figures checked very closely with the declared export statistics compiled by this Consulate General, which for the same period showed U. S. \$1,353,000.

Señor Silveira Zorzi assured me that if the increased exports to the United States continued, it would be possible to furnish free controlled exchange for additional classes of American goods, which up to the present were being paid for at free exchange rates. This statement was utilized to bring up the position of American lumber in comparison with that of Russian lumber, mentioned above. Señor Silveira Zorzi admitted that Russian lumber had been contracted for in a large quantity, at free controlled rates, but explained that this was the result of a commercial agreement between Uruguay and Russia which had just been signed and would shortly be given publicity, under which Russia undertook to purchase Uruguayan goods to a value of £300,000, particularly hides. He added however, that he would see to it that American lumber was henceforth given free controlled exchange.

I assured him that I had not come to intervene on the behalf of any one particular class of goods, but that, having heard how the lumber situation was affected by the class of exchange allotted, I was interested in learning the principles followed by the Bank in deciding for the allotment of free controlled or free exchange for certain commodities. He stated that free controlled exchange was in general allotted for essential commodities, but that when the quota of such exchange for a country was exhausted, additional quantities from that country had to be paid for by free exchange.

He took occasion to assure me of his sympathetic attitude towards the United States, and his willingness to discuss with me any doubtful points which might arise in the administration of the import quotas and exchange control.

Respectfully yours,

LESLIE E. REED

833.5151/328

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

No. 47

MONTEVIDEO, July 19, 1935.

[Received July 29.]

SIR: I have the honor to report that in presenting personally the letter ²² from the President of the United States to the President of Uruguay, transmitted in Department's instruction No. 335 of May 17, 1935,²² the prospects for early negotiations of a trade agreement ²³ between the United States and Uruguay arose. I told President Terra that there seemed to be good reasons to expect that before very long negotiations will be started but that I thought the prospects of success would be improved if exchange quotas to importers of American goods could be immediately increased on a more equitable basis. President Terra expressed the belief that these adjustments might be made when preliminary discussions are actually started. I told him that I thought that a more favorable *ambiente* would be created if more equitable treatment toward our commerce in respect to controlled exchange could be granted previous to starting preliminary discussions on a trade agreement but he made no comment upon this observation.

I believe that, as a result of this conversation with the President, more favorable consideration will be given by the Exchange Control Commission to requests for increases in controlled exchange by importers of American goods.

Respectfully yours,

JULIUS G. LAY

²² Not printed.

²³ See pp. 946 ff.

833.5151/348

The Consul General at Montevideo (Reed) to the Secretary of State

No. 697

MONTEVIDEO, September 24, 1935.

[Received October 2.]

SIR: I have the honor to acknowledge the receipt of the Department's airmail instruction of September 10, 1935²⁴ directing me to report by airmail whether funds on deposit in Uruguay in payment of imports which are blocked because of the insufficiency of foreign exchange can be withdrawn by agreement between the foreign exporter and the Uruguayan importer, that is, whether the American owner of blocked funds in Uruguay has the option of transferring his deposit through the free market, or of accepting the "Amortizable Obligations" offered by the Uruguayan Government in satisfaction of deferred exchange. The Department also refers to the surcharges to be added to the official exchange rates in the case of liquidation by means of the Second Series of "Amortizable Obligations", and inquires whether the Uruguayan importer is required to put up additional funds to pay the equivalent of the surcharge or whether the dollar claim of the American exporter is reduced by the amount of the surcharge.

The Autonomous Amortization Bureau has been consulted in regard to the points raised by the Department and has stated as follows in reply to the Department's two questions:

First. Foreign owners of blocked funds in Uruguay have the option of transferring their deposits through the free market or of accepting "Amortizable Obligations". If neither of these possibilities is acceptable to the creditor at the present time, the funds may, of course, be left on deposit here or invested in Uruguay. The optional character of the liquidation by means of "Amortizable Obligations" is set forth in Article 9 of the original law governing the emission of "Amortizable Obligations" (July 15, 1932)²⁵ which reads, in part: "The bonds shall be applied exclusively to the settlement of liabilities in foreign currency outstanding at the date of promulgation of the present Act, in conformity with Clause 1 of same, its application being optional for creditors of trade obligations, holders or depositors". The law of November 9, 1934,²⁶ in referring to the Second Issue of "Amortizable Obligations" states, in Article 9, that the regulations made by the law of October 27, 1932,²⁷ in regard to the First Issue remain in force for com-

²⁴ Not printed.

²⁵ *Registro Nacional de Leyes de la República Oriental del Uruguay*, 1932 (Montevideo, Imprenta Nacional, 1932), p. 390.

²⁶ *Ibid.*, 1934, p. 1479.

²⁷ *Ibid.*, 1932, p. 667; this law prohibited protests under certain circumstances of the nonpayment of drafts in foreign currencies. Translation in Department files under 833.51/501.

mercial obligations, for which payment was pending on the date of publication of the present law (November 9, 1934).

Second. With respect to the surcharges to be added to the official exchange rate in the case of liquidation by means of the Second Series of "Amortizable Obligations", the Autonomous Amortization Bureau states that the Uruguayan importer is required to put up the additional funds necessary to pay the equivalent of the surcharges, Article 16 of the regulations governing this Second Series stating "La emisión de 'Obligaciones' se hará contra entrega del equivalente en pesos uruguayos, moneda nacional, que resulte de la aplicación de la siguiente escala de porcentajes de recargo,—establecida según lo dispuesto por la ley de acuerdo con el Banco de la República,—a los tipos de cambio que se transcriben a continuación: Escala de Porcentajes de Recargo" etc. (translation, made in Consulate General "The emission of 'Obligations' shall be against delivery of the equivalent in Uruguayan pesos, national money, which results from the application of the following scale of percentages of surcharges,—established according to the provisions of the law, in agreement with the Bank of the Republic—at the rates of exchange given herewith: Table of Surcharges" etc.)

It should be pointed out however, that there are cases in which the foreign creditor has consented to the conversion of his credit to a peso credit, and accepted a deposit in pesos as constituting payment in full. In such a case, it would not be possible to force the Uruguayan importer to put up additional funds and the American creditor could only obtain "Amortizable Obligations" to the amount of the peso deposit.

Respectfully yours,

LESLIE E. REED

833.5151/363

The Consul General at Montevideo (Reed) to the Secretary of State

No. 721

MONTEVIDEO, December 6, 1935.

[Received December 14.]

SIR: I have the honor to refer to my confidential despatch No. 708 of November 1, 1935, entitled "Reporting Further Interview with Import Quota and Exchange Control Authorities",²⁸ in which it was mentioned that according to figures furnished by the Bank of the Republic for the first nine months of 1935, only 53% of the exchange created by American purchases of Uruguayan goods had been made available at controlled or official rates for imports from the United States or the service of American loans, and that this matter was discussed by the undersigned with officials of the Exchange Control Sec-

²⁸ Not printed.

tion of the Bank of the Republic, to whom it was also pointed out that, according to the American viewpoint, debt service should be made from the general fund of exchange created by Uruguay's exports to all countries, rather than deducted from that produced by American purchases of Uruguayan goods.

No definite reply having been obtained from the Bank officials, investigations were made by a member of this Consulate General to ascertain the situation, and it was learned that the Bank officials preferred not to discuss these matters with diplomatic officers, considering that representation should be made through the Ministry of Foreign Affairs rather than directly to the Bank.

On receipt of this information, a meeting of the Board of Directors of the new American Chamber of Commerce was called at my request, at which the situation was explained by the undersigned, and the desirability of representations by the Chamber was pointed out. The Directors decided to request an immediate interview with the appropriate Bank officials and, with the assistance of the undersigned, prepared a communication to the Bank setting forth the desirability of an increased quota for American goods, in view of the recent increases in Uruguayan exports to the United States.

A delegation from the Chamber of Commerce has now discussed the matter with the officials of the Bank of the Republic and report that there is apparently a possibility of an increase in the quota for American goods, as well as in the list of articles which might be imported from the United States with the benefit of exchange at controlled rates. The Bank officials suggested that the Chamber recommend the articles which it was desired should be included in this list, and the Chamber is therefore circularizing its members in order to ascertain what articles not now receiving controlled exchange might be recommended for that privilege.

The Bank officials stated that the figure previously given out for the quantity of exchange allotted for debt service and imports of American goods was wrong, and that the figure in question was for imports alone. The amount transferred to the United States for debt service, according to their statement, amounted to another 25,000,000 French francs, which brought the total exchange allotted to American interests up to 100% of that created by American purchases of Uruguayan goods. (This figure is confirmed by private investigations subsequently made by this Consulate General, which also show that, adding to these figures the amounts remitted for service of the so-called "amortizable obligations" or "five-year conversion bonds", the amount of exchange allotted during the first nine months of this

year is about 75,000,000 French francs, as compared with under 50,000,000 French francs received for payment of Uruguayan exports to the United States.)

The President of the Chamber, in the interview with the Bank officials, again set forth the American viewpoint with respect to debt service, but was informed that, although theoretically the Bank officials agreed with him, in practice it was necessary for such service to be deducted from the exports to the United States. One of the Bank officials explained that the British Chamber of Commerce had been for the past year sustaining the same point of view as was held by American interests, but that the British had been obliged to give up their efforts on this point. In view of the strong British commercial position in Uruguay, the United States is in an even less favorable situation than is Great Britain to obtain commercial concessions, so that the Bank official emphasized that it was useless to make further representations on this point.

Respectfully yours,

LESLIE E. REED

•

INDEX

INDEX

- Agreements. *See* Treaties, conventions, etc.
- Agricultural Adjustment Act, 540
- American Car and Foundry Co., 956-957
- American Museum of Natural History, 520, 522
- Anti-war treaty (1933), 97
- Arbitration (*see also* Permanent Court of International Justice), case of Simmons Construction Co. claim against Costa Rican Government, 464-475
- Argentina (*see also* Chaco dispute), 266-299
- Argentine State Railways, 291-292
- British sterling bonds, Argentine proposal for servicing of, 280-281, 281-282, 283
- Exchange restrictions. *See* Taxation, *infra*.
- Foreign debt, efforts of United States and of Foreign Bondholders Protective Council to secure equitable treatment for American creditors in servicing of Province of Buenos Aires bonds, 280-296
- Inter-American Conference for the Maintenance of Peace, attitude toward, 5
- Province of Buenos Aires bonds. *See* Foreign debt, *supra*.
- Roca-Runciman trade treaty, 266, 267, 279
- Saavedra Lamas, Carlos, 2, 4, 6, 8, 82-84, 95, 105-107, 108, 117, 118, 145, 146, 154, 160-161, 167
- Sanitary convention with United States, unperfected, text signed May 24, 296-299
- Taxation, Argentine decree imposing surcharge for imports not covered by official exchange permits, 269-280
- Information concerning decree and its enforcement, 269, 271
- U. S. representations on behalf of American trade, and Argentine position, 270-275; balance of U. S.-Argentine trade, relation to problem, 274, 275-280
- Trade agreement with United States, preliminary discussions concerning, 266-268, 273-274; import surcharge problem, relation to, 269, 279
- Argentina—Continued
- Trade relations with—
- United States. *See* Taxation and Trade agreement, *supra*.
- Other countries, 266, 267, 268, 320, 939
- Artistic and scientific institutions and historic monuments, treaty between United States and other American Republics for protection of, text signed Apr. 15, 219-221
- Aviation. *See* Commercial aviation convention.
- Barletta, Amadeo. *See* Dominican Republic: Arrest, etc.
- Belgium, 946, 949, 959
- Bethlehem Steel Co., 395
- Bolivia. *See* Chaco dispute.
- Borah, Senator William E., resolution regarding religious situation in Mexico, 785-788, 789-795, 798
- Boundary questions. *See* Chaco dispute and Leticia dispute.
- Brazil (*see also* Chaco dispute), 300-388
- Agreements with United States, amending agreements of 1934, for a military mission to Brazil, citation to texts, 388
- Clearing and compensation agreement with Germany, 377-378, 380, 381
- Coffee, 312, 314, 322, 327, 333-334, 336, 337, 347
- Cotton, 339, 344, 347, 380
- Ecuadoran revolutionary government, Brazilian recognition of, 537
- Exchange restrictions and foreign debt problem, U. S. activities on behalf of American interests, 321-386
- American blocked funds, U. S. representations regarding. *See* Exchange allocation problem, *infra*.
- Brazilian financial mission to United States, and related negotiations in Washington, 329, 330, 331, 332-333, 333-340, 348, 349, 350, 353, 354
- British agreement with Brazil for liquidation of deferred credits, relation to American situation, 354, 355-356, 357, 358, 359, 361, 363, 364, 367-368, 382
- Congelado notes of 1933, 325, 336, 344, 357

Brazil—Continued

Exchange restrictions and foreign debt problem, U. S. activities on behalf of American interests—Continued

Debt funding plan of 1934, possibility of suspension or modification due to shortage of exchange, 321-327, 329, 333, 335, 344, 354, 369

Enabling Act. *See under* Settlement, *infra*.

Exchange allocation problem (*see also* Settlement for American holders of deferred credits, *infra*), 327-329, 330-331, 333, 335-336, 339-351; U. S.-Brazilian exchange of notes of Feb. 2, texts, 340-341

German-Brazilian compensation agreement, relation, 377-378, 380, 381

Military purchases abroad by Brazil, relation to exchange problem, 339

National Foreign Trade Council, 349, 355, 356, 357, 361, 362, 364, 367, 371, 372, 373, 376-377, 385-386

Settlement for American holders of deferred credits: Discussions and negotiations leading to, 336-339, 351-383, 385-386; Enabling Act passed by Brazilian Legislature, 383-385; method for handling Class C indebtedness, discussions, 361, 362-363, 364-365, 366-373, 374-375, 382

Trade agreement negotiations with United States, relation to, 300, 302, 306, 307, 313, 314, 323, 329, 331, 334, 336, 339, 358, 359, 379; exchange of notes accompanying agreement, texts and question of implementation, 340-341, 343-345, 381-382, 383

Financial mission to United States. *See* Exchange restrictions: Brazilian financial mission, *supra*.

Foreign debt. *See* Exchange restrictions and foreign debt problem, *supra*.

German-Brazilian compensation agreement, 377-378, 380, 381

Japan, Brazilian promise of support to United States in event of war with, 387-388

Military mission, U. S., 388

Military purchases abroad, 339

Trade agreement with United States signed Feb. 2, 300-321

Exchange problems, relation to. *See* Exchange restrictions: Trade agreement, *supra*.

Brazil—Continued

Trade agreement with United States signed Feb. 2—Continued

Generalization of tariff concessions by Brazil, question of, 319-321

Ratification by Brazil: Brazilian delay and U. S. efforts to obtain action, 147, 300-317; information concerning ratification and exchange of ratifications, 317-319

Text of agreement and exchange of notes, citation to, 300

Trade relations with various countries, 320, 339; compensation agreement with Germany, 377-378, 380, 381

U. S. military mission to Brazil, agreements supplementary to 1934 agreement, 388

Buenos Aires Peace Protocol. *See* Chaco dispute: Peace Protocol.

Central American General Treaty of Peace and Amity (1923), 630, 640, 843, 846, 847, 857, 860, 863-864

Chaco dispute between Bolivia and Paraguay, 7-198

Argentine-Chilean Mission:

Brazilian participation in mediation, question of: Attitude of Brazilian Government, 8-10, 14, 16, 19-20, 27-30, 31, 36-37, 41-42; British efforts to promote Brazilian cooperation, 39-41; U. S. efforts to promote participation of Brazil and Uruguay, 24, 25, 27-28, 31-32, 35-36, 37-39, 42-46, 47

Conciliation plans based on modifications of League of Nations proposals of Nov. 24, 1934, discussions, 7-8, 12-14, 15-16, 20-23; position of belligerents, 9, 13-14, 18, 30

U. S. willingness to participate in mediation, 12-13, 14-15, 16-18, 23-24, 26, 30-31, 32; efforts to promote participation of Brazil and Uruguay, 24, 25, 27-28, 31-32, 35-36, 37-39, 42-46, 47

Buenos Aires Peace Protocol. *See* Peace Protocol, *infra*.

Declaration of American Republics (Aug. 3, 1932), question of reaffirmation, 191, 192

Economic Conference on the Chaco, proposed, question of participation of Brazil, 29, 31, 33-35, 36, 38-39, 40, 44; of United States, 29, 32, 35-36, 38, 47, 53, 55, 56, 61-62, 62-63

Inter-American Peace Conference, proposed, relation to, 1-6 *passim*, 10, 113, 160-161, 163-165, 179

Chaco dispute between Bolivia and Paraguay—Continued

League of Nations (*see also* Argentine-Chilean Mission: Conciliation plans, *supra*), 10-11, 30, 52, 53, 54, 83, 93, 98, 109, 191, 192; Paraguayan withdrawal from League, 10-11, 30, 93

Mediation group:

Activities preliminary to conciliation negotiations, 46-61; attitudes of belligerents, 52, 59, 61

Membership, question of inclusion of Mexico and Uruguay, 47, 53, 54-56, 56-57, 59-60, 61

Negotiations. *See* Peace Protocol and Plans, *infra*.

Peace Protocol of June 12 and additional protocol: Negotiations leading to, 63-70, 71-73; signature and ratification, 75-77, 84, 90, 92; texts, 73-75, 76; U. S. gratification over pacific solution of Chaco dispute, 76-77

Plans and discussions relative to Peace Conference to be held under terms of June 12 Protocol, 71, 77-91

U. S. representative, 51, 62; inability of Secretary of State to accept invitation for personal attendance, 70-71

Neutral Military Commission, 65, 66, 67, 75, 76, 91, 93, 94, 99, 110, 123, 127, 139, 140, 141, 151, 153, 156, 158-159, 167, 168-169, 184, 187, 191

Peace Conference:

Basic organizational and procedural problems:

Administrative detail and preliminary activity, 91-94, 95-98, 99, 102-103

Chilean procedural plan, 88-89, 90, 92, 128-130, 143, 159

Invitations, and U. S. acceptance, 90-91

League of Nations observer, question of, 98

Membership, 71, 77-82, 83, 85-88, 89-90, 94

Presiding officer (Saavedra Lamas): Ideas for Conference procedure, 82-84; personality of, 95, 105-107, 108, 117, 118, 145, 146, 154, 160-161, 167

Boundary and territorial questions, 98-99, 103, 108-109, 110, 111, 112, 113-114, 117, 121, 124-125, 128, 130-134, 143-144, 151, 152, 153, 155-156, 157-158, 171, 175-176, 181, 190; Treaty of Petropolis, allusions, 134, 153, 155, 157

Chaco dispute between Bolivia and Paraguay—Continued

Peace Conference—Continued

Demobilization and related security measures (*see also* Prisoners of war: Formula on prisoner and security questions, *infra*), 94, 98, 99, 102, 103, 108, 110, 124, 127, 151, 158-159, 169, 177

Diplomatic relations between belligerents, resumption of, 118, 152, 184

Membership of Conference, 71, 77-82, 83, 85-88, 89-90, 94

Neutral Military Commission, 65, 66, 67, 75, 76, 91, 93, 94, 99, 110, 123, 127, 139, 140, 141, 151, 153, 156, 158-159, 167, 168-169, 184, 187, 191

Oct. 15 proposal (comprehensive peace plan). *See* Settlement plan, *infra*.

Political situation of belligerents, influence of, 102, 103, 107, 124, 128, 153, 167, 177-178, 180, 184, 188, 189, 190, 192

Prisoners of war, exchange and repatriation of: Discussions and negotiations, 101, 102, 105, 106, 107, 109, 110, 111, 114-116, 117, 118-120, 122-124, 125-126, 127, 130, 133, 135-139, 140-141, 142, 148, 150, 152, 172, 175, 176, 177, 178-179; formula on prisoner and security questions, efforts for acceptance by belligerents, 179-180, 182-191, 192-194; mission of U. S. delegate to Asunción, 194-197; new formula submitted to belligerents Dec. 22, 197-198

Recess and adjournment, questions of, 125, 127, 128, 176-179, 190-191, 192, 194

Rehabilitation of belligerent countries, question of U. S. financial aid for, 100-101, 106, 112

Resolution declaring war at an end, question of, 132, 152, 153, 159, 169-170; adoption of resolution, 170

Saavedra Lamas, Carlos (presiding officer), 82-84, 95, 105-107, 108, 117, 118, 145, 146, 154, 160-161, 167

Security measures. *See* Demobilization and related security measures, *supra*.

Settlement plan of United States and Brazil, 145-147, 152-158, 159-160, 161-162; attitudes of belligerents, and consideration of possible future course of action of the Conference, 165-168, 170-179, 180-182

- Chaco dispute between Bolivia and Paraguay—Continued
- Peace Conference—Continued
- Territorial questions. *See* Boundary and territorial questions, *supra*.
- War responsibility, tribunal on, 104, 105, 106, 107, 109, 110-111, 111-112, 116, 120-121, 126, 127, 140, 142, 144, 148-150, 152, 153; question of participation of a U. S. Supreme Court Justice, 104, 140, 142, 144, 147-148, 148-149, 150
- Peace Protocol signed at Buenos Aires June 12:
- Implementation of terms (Chaco Peace Conference), 109, 128, 131, 132, 137, 141, 144, 151, 152, 163, 164, 166, 169, 171, 182-183, 184
- Negotiations leading to, 63-70, 71-73; drafts of truce formula, 66-67, 68-69
- Signature and ratification, 75-77, 84, 90, 92
- Text, 73-75; additional protocol, 76
- U. S. gratification over pacific solution of Chaco dispute, 76-77
- Permanent Court of International Justice, possibility of resort to, 63, 68, 69, 72, 73, 74, 89, 117, 126, 128, 129, 144, 183
- Red Cross Conference, Bolivian efforts for introduction of resolution on prisoners of war, 135-139, 141
- Chile (*see also* Chaco dispute), 389-429
- Discrimination against American firms and nationals. *See* Exchange restrictions: American firms and nationals, *infra*; also Patents and trade marks and Railroad cars, *infra*.
- Ecuadoran revolutionary government, Chilean recognition of, 536
- Exchange restrictions, U. S. efforts to secure equitable treatment for American interests, 398-422
- American firms and nationals, discrimination against (*see also* Import restriction policy, *infra*), 395, 396, 398-401, 403-404, 406-407, 413-416
- Exchange Control Commission, 399, 401, 404-405, 411, 412, 422
- Frozen credits, liquidation of, 400, 401, 403, 405, 410, 412-413
- Import restriction policy of Chile, 402, 405-406, 409-413, 416-422
- International obligations, relation to, 403
- Retirement funds, 400, 401
- Chile—Continued
- Exchange restrictions, U. S. efforts to secure equitable treatment for American interests—Continued
- Trade agreement with United States, proposed, relation to, 407-409, 416-417, 419
- Germany, trade relations and exchange situation, 394-395, 397, 402, 413, 414-415, 417
- Patents and trade marks, discrimination against foreigners in fees charged for registration, 423-429
- Railroad cars for Chilean State Railways, U. S. representations regarding alleged discrimination against American interests in letting contract for, 394-398
- Trade agreement with United States, proposed, preliminary discussions, 389-394, 407-409, 416-417, 419
- Trade relations with various countries (*see also* Germany, *supra*), 267, 398, 401, 402, 409, 414-415, 417, 938-939
- Claims. *See* Costa Rica: Simmons Construction Co., and under Mexico.
- Cocos Islands, 517, 518
- Coffee. *See* under Brazil, Colombia, Costa Rica, El Salvador, Guatemala, and Haiti.
- Colombia (*see also* Leticia dispute), 430-448
- Chaco dispute, 55-56, 77, 80, 81, 85, 94
- Coffee, 436-437, 439, 443, 446-447, 448
- Ecuadoran revolutionary government, Colombian recognition of, 536
- Exchange restrictions. *See* German-Colombian exchange arrangements, *infra*.
- German-Colombian exchange arrangements, U. S. informal representations regarding effects on American trade, 442-448
- Inter-American Highway, discussion with United States concerning, 243-244
- Trade agreement with United States signed Sept. 13: Agreement of 1933 (unperfected), relation to, 430, 431-432, 434, 435, 437, 441-442; negotiations, 430-442; Rio de Janeiro Pact, relation to, 209, 210, 244, 430, 435, 436, 441; text, citation to, 442
- Commercial aviation convention of Habana (1928), question of interpretation of art. IV: Status of U. S. discussions with Mexico, 229; U. S. conclusion of understanding with Guatemala, 222-229
- Commissions, committees, etc.:
- Foreign Bondholders Protective Council, 280-296, 324, 724-726, 727

- Commissions, committees, etc.—Con.
 League of Nations committees: Advisory Committee on Leticia, 202, 203; Chaco Committee, 7, 15, 16, 19, 20–22, 53, 98; Economic Committee, 567; Joint Committee for the Study of Clearing Agreements, 819
 Mediation Commission. *See* Chaco dispute: Mediation group.
 Neutral Military Commission. *See* under Chaco dispute.
 Securities and Exchange Commission, 580–581, 582–584
 Conferences (*see also* Inter-American Conference):
 American States, Seventh International Conference of (Montevideo), allusions, 219, 311–312, 492, 514, 592, 642, 644, 645, 799–800, 814, 834, 933, 934, 937
 Chaco Peace Conference. *See* Chaco dispute: Peace Conference.
 Pan American Commercial Conference, Buenos Aires, May 26–June 19, 55, 218, 507
 Red Cross Conference (Rio de Janeiro), 135–139, 141
 Costa Rica, 449–475
 Chaco dispute, 136
 Claims. *See* Simmons Construction Co., *infra*.
 Coffee, 452–453, 456, 461
 Guatemala: Costa Rican attitude on Guatemalan extension of term of office for President Ubico, 637; diplomatic representation between Guatemala and Costa Rica, good offices of United States looking toward reestablishment of, 230–240
 Inter-American Highway, discussions with United States concerning, 245–246, 250–252, 260*n*, 261*n*, 262–264
 Nicaraguan political situation, Costa Rican attitude toward, 855–856
 Rubber industry, development of, 463
 Simmons Construction Co., U. S. representations in support of claim against Costa Rican Government, and Costa Rican attitude, 464–475; international arbitration, question of resort to, 468, 472–474
 Trade agreement with United States, negotiations respecting, 449–464; duty reduction on flour, question of, 452, 458–459, 460
 Cuba: Chaco dispute, 55–56, 77, 80, 81, 85, 94; elections, attitude of U. S. Government toward, 476–477
 Daniels, Josephus (Ambassador to Mexico), clarification of certain statements attributed to, 782–785
 Debts. *See* Argentina: Foreign debt; Brazil: Exchange restrictions and foreign debt problem; El Salvador: Loan Contract of 1922; Haiti: Debachy loan contract and French gold loan of 1910.
 Denmark, 398–400, 401
 Diplomatic relations: Bolivia–Paraguay, 118, 152, 184; Costa Rica–Guatemala, 230–240
 Discrimination (*see also* under Chile): Argentina, discriminatory treatment in servicing of Province of Buenos Aires bonds, 280–296; Ecuadoran–French *modus vivendi*, discriminatory effect on U. S. trade with Ecuador, 507–508, 510–512; Uruguayan customs discriminations against American importations, 949–957
 Dominican Republic, U. S. efforts to protect American citizens and business interests, 478–505
 Arrest and imprisonment of Amadeo Barletta (Italian Consul and president of Dominican Tobacco Co. and of Santo Domingo Motors Co.): Information concerning, and U. S. representations, 478–480, 483–484, 486–487, 489, 490, 491–492, 493, 495–500, 502–503, 504; Italian efforts on behalf of Barletta, 478, 482, 488, 492, 499, 500, 501–502, 505; release of Barletta and settlement of case, 505
 Dominican Tobacco Co. (Penn Tobacco Co.) (*see also* Arrest, etc., *supra*), 480–481, 482–483, 483–486, 487, 489–491, 505
 General matters pending between United States and Dominican Republic, 500–501, 503–504, 504–505
 Santo Domingo Motors Co. (General Motors Corp.) (*see also* Arrest, etc., *supra*), 478–479, 479–480, 483–484, 486–487
 U. S. citizens and others, cases of arbitrary actions against, 492–493, 494–495, 504
 Douglas Fir Exploitation and Export Co., 950–954
 Ecuador, 506–538
 Commercial *modus vivendi* with United States pending negotiation of a trade agreement, negotiations leading to, 506–514; conclusion of agreement, June 12, 1936, 514*n*
 Fishing regulations purporting to extend territorial waters beyond the three-mile limit, U. S. concern relative to, 514–517

Ecuador—Continued

- Galápagos Islands, interest of U. S. and British Governments in possible internationalization of, 517-527; Ecuadoran attitude, 521, 525-527
- Japan: Ecuadoran fear of aggression, 521, 527; trade relations with, 509
- Recognition. *See under* Revolution, *infra*.
- Revolution, 527-538; recognition of Paez government by United States and other countries, 533, 534-538
- Territorial waters, Ecuadoran fishing regulations purporting to extend territorial waters beyond the three-mile limit, 514-517
- Trade agreement with United States, proposed. *See Commercial modus vivendi, supra*.
- Trade relations with various countries, 507-508, 509, 510, 511, 512, 739
- Treaty with United States (1854), 518
- El Salvador, 539-584
- Bonds. *See* Loan Contract of 1922, *infra*.
- Coffee, 540, 552, 554, 556, 557, 559, 565, 578
- Guatemala, Salvadoran attitude on extension of term of office for President Ubico, 637
- Inter-American Highway, discussion with United States concerning, 254-255
- Loan Contract of 1922, question of revision, and U. S. informal assistance to bondholders' representatives in connection with, 568-584
- Negotiations between bondholders' representatives and Salvadoran Government, 576-577, 579-580, 581-582; U. S. Securities and Exchange Commission studies, relation to, 580-581, 582-584
- U. S. discussions with bondholders' representatives, 568-569, 570-575, 578-579, 581-582; with Salvadoran Government, 569-570, 575, 578, 580-581, 582-584
- Nicaraguan political situation, Salvadoran attitude toward, 856-857, 861, 872
- Trade agreement with United States, negotiations, 539-568, 581; revision of 1922 Loan Contract, relation to, 544, 549
- Trade relations with various countries, 542-543, 552, 554, 557, 559, 735-736
- Ethiopian-Italian conflict, 192
- Exchange restrictions. *See* Argentina: Taxation and under Brazil, Chile, Colombia, and Uruguay.
- Export-Import Bank, 349, 351, 354, 363, 369, 384, 386
- Ford Motor Co., 417, 419
- Foreign Bondholders Protective Council, 280-296, 324, 724-726, 727
- France: Ecuadoran revolutionary government, French recognition of, 537; Leticia dispute, French message to Colombian Government, 206; trade relations with various American Republics, 267, 320, 507-508, 510, 511, 512, 542, 552, 650-667, 816-817, 821-822, 826-827, 949, 959
- Freedom of religion. *See* Mexico: Religious situation.
- Freedom of the press, 233-234, 238, 782, 795
- Galápagos Islands. *See under* Ecuador.
- General Motors Corp. *See* Dominican Republic: Santo Domingo Motors Co.
- Germany, trade relations with various American Republics (*see also under* Chile and Colombia), 266, 377-378, 380, 381, 557, 559, 609, 610, 821, 939, 946-947, 949, 956, 959, 960, 963
- "Good neighbor" policy, 458, 492, 634, 798
- Good offices of United States in re-establishment of diplomatic representation between Costa Rica and Guatemala, 230-240
- Goodrich Rubber Co., 405
- Goodyear Tire and Rubber Co., 463
- Great Britain. *See* United Kingdom.
- Guatemala, 585-641
- Coffee, 590, 591, 592, 594, 595, 596, 600, 605
- Commercial aviation convention of Habana (1928), U. S. conclusion of understanding with Guatemala as to interpretation of art. IV, 222-229
- Diplomatic representation between Costa Rica and Guatemala, good offices of United States looking toward reestablishment of, 230-240
- Inter-American Highway, discussions with United States concerning, 241-242, 246-247, 249-250, 255-259, 260-262, 264-265
- Nicaraguan political situation, Guatemalan attitude toward, 857-858
- President Ubico, question of continuance in office beyond his constitutional term, 614-641

Guatemala—Continued

President Ubico, question of continuance in office beyond his constitutional term—Continued

Efforts of Administration and of Ubico to legalize his continuance in the Presidency, 614-619, 620-621, 623-624; U. S. position and Guatemalan attitude thereto, 619-620, 621-623, 624-634

Prolongation of term as result of plebiscite and action of Constituent Assembly: Information concerning, 634-637; position of United States and of other governments, 637-641; Ubico's letter to President Roosevelt announcing continuance in office, and reply, 636-637, 639-641

Trade agreement with United States, negotiations, 585-614; problem of contraband traffic in chicle, 594, 596, 603, 608, 612-614

Trade relations with various countries, 590, 609, 610

Haiti, 642-728

Coffee, 643, 644-645, 652, 653, 654, 656, 659, 661, 664

Debachy loan contract for refunding debt and for public works, proposed, 667-702

American loan of 1922, question of refunding, 667, 668, 669, 671, 675-689 *passim*, 691-698, 700, 701, 702

Details concerning, 667-669, 671-673, 674, 691-692, 700

French contractors, interest in, 688, 689-690

French gold loan of 1910, question of settlement, 667, 669, 670, 672, 698-700, 702

U. S. attitude and discussions with Haitian Government, 669-671, 674-702; Haitian denunciation of contract and desire to negotiate a new American loan, 701-702

Foreign Bondholders Protective Council, 724-726, 727

Foreign debt. *See* Debachy loan contract, *supra*, and French gold loan of 1910, *infra*.

Franco-Haitian commercial agreement, good offices of United States in effecting renewal of, 650-667

French gold loan of 1910: Debachy loan contract, relation to, 667, 669, 670, 672, 698-700, 702; French demands in connection with ques-

Haiti—Continued

tion of renewal of Franco-Haitian commercial agreement, 655-667, 680-681, 699-700

National Bank of Haiti, sale by National City Bank of New York to Haitian Government, 703-728

Facts and considerations in connection with bank sale plan, 685, 703-709

Foreign Bondholders Protective Council, 724-726, 727

Legislative action by Haitian Senate and Chamber, 716-717, 719-720, 723

Negotiations based on Haitian desire for maintenance of *May 12, 1934*, contract, 649-650, 709-714, 717-720, 721-722

Signing of contract and conclusion of transaction, 723-728

U. S. position, 714-716, 721, 724-726

Trade agreement with United States signed *Mar. 28*: Negotiations, 642-650; relation to Franco-Haitian commercial agreement, 650-655, 660, 661, 662, 663; text, citation to, 650

Trade relations with various countries (*see also* Franco-Haitian commercial agreement, *supra*), 643, 644-646, 649, 659, 722

Treaties with United States: Accord of *Aug. 7, 1933*, 676-677, 678, 682, 683, 686, 692, 694, 695, 696-697, 703, 708, 725; agreement of *Aug. 5, 1931*, 682; protocol of 1919, 677, 682, 683, 694, 697, 725; treaty of 1915, 656, 677, 678, 685-686, 725; treaty of friendship, 1932, 695

Honduras, 729-752

Guatemala, Honduran attitude on extension of term of office for President Ubico, 637

Inter-American Highway, discussions with United States concerning, 260*n*, 261*n*, 264*n*

Nicaraguan political situation, Honduran attitude toward, 858, 872, 873

Swan Islands, Honduran reservation of claim to sovereignty over, 750-752

Trade agreement with United States signed *Dec. 18*: Municipal taxes, relation to, 732, 735-736, 740; negotiations, 729-750; text, citation to, 750

Treaty of friendship, commerce, and consular rights with United States (1927), 735-736

- Inter-American Conference for the Maintenance of Peace, to be held in 1936, 1-6
- Chaco dispute, relation to, 1, 2, 3-4, 5-6, 10, 113, 160-161, 163-165, 179
- Preliminaries, 1-6; initiative of President Roosevelt, 1, 2, 3, 6
- Inter-American Highway, U. S. cooperation with other governments in construction of, 241-265
- Discussions with Colombia, 243-244; Costa Rica, 245-246, 250-252, 260*n*, 261*n*, 262-264; El Salvador, 254-255; Guatemala, 241-242, 246-247, 249-250, 255-259, 260-262, 264-265; Honduras, 260*n*, 261*n*, 264*n*; Mexico, 243; Nicaragua, 252-254, 259-260, 260*n*, 261*n*; Panama, 244-245, 250, 260*n*, 261*n*, 264*n*
- Finances, positions of U. S. Departments of State and Agriculture on use of appropriated funds, 247-249
- U. S. highway experts (E. W. James and George Curtis Peck), visit to Panama and Central American countries, 250-259, 260-261
- U. S. note on conditions of cooperation, text, 261-262
- International Chamber of Commerce, 671, 673
- Italy (*see also* Dominican Republic: Arrest and imprisonment of Amadeo Barletta): Leticia dispute, Italian message to Colombian Government, 206; trade relations with various American Republics, 267, 339, 542, 590, 609, 610, 821, 939, 949
- Japan:
- Brazil, promise of support to United States in case of war with Japan, 387-388
 - Ecuador: Fear of Japanese aggression, 521, 527; trade relations with Japan, 509
 - Peru: Japanese immigration problem, 940; trade relations with Japan, 939-940
 - Trade relations with various American Republics, 454-455, 509, 722, 815, 818, 939-940
- Jones-Costigan Act, 935, 936, 942-943, 944
- Labor problems in Mexico, 767, 770
- League of Nations. *See under* Chaco dispute *and* Leticia dispute.
- Leticia dispute between Colombia and Peru, 199-217
- League of Nations activity, 200, 201, 202-203; document closing Leticia question, text, 214-215
- Military activity, 201
- Leticia dispute between Colombia and Peru—Continued
- Protocol for settlement of dispute (Rio de Janeiro Pact of May 24, 1934), question of Colombian ratification: Colombian attitude and ultimate ratification, 199-202, 204, 207, 208-212, 214-216, 244; exchange of ratifications (*see also* Peruvian position, *infra*), 216-217; Peruvian position and consent to extension of time limit for exchange of ratifications, 199, 200, 201, 204-205, 207, 212-215; United States and other countries, efforts to secure Colombian ratification, 200, 201, 205-207, 208, 210-211
- Loans. *See* El Salvador: Loan Contract of 1922; Haiti: Debachy loan contract *and* French gold loan of 1910.
- Mediation. *See* Chaco dispute: Argentine-Chilean Mission *and* Mediation group.
- Mexico, 753-813
- Agrarian situation. *See* Claims *and* Expropriation, *infra*.
 - Anti-religious campaign, alleged. *See* Religious situation, *infra*.
 - Chaco dispute, question of Mexican participation in mediation efforts, 54-56, 56-57, 58, 59-60, 61, 94
 - Claims, U. S.-Mexican discussions looking toward settlement of American agrarian claims pending before General Claims Commission (*see also* Expropriation, *infra*), 753-764, 766-767, 769-770
 - Commercial aviation convention of Habana (1928), status of U. S. discussions with Mexico on interpretation of art. IV, 229
 - Ecuadoran revolutionary government, Mexican recognition of, 536
 - Expropriation of American-owned properties, U. S. representations for discontinuance pending assurance of payment of compensation, 770-782; agrarian bonds, 754, 773-774, 776-778
 - Guatemala, Mexican attitude on extension of term of office for President Ubico, 637
 - Inter-American Conference for the Maintenance of Peace, Mexican attitude toward, 1-2, 5-6
 - Inter-American Highway, Mexican attitude, 243
 - Labor problems, 767, 770
 - Land reform. *See* Expropriation, *supra*.
 - Nicaraguan political situation, Mexican attitude toward, 858-859, 861

Mexico—Continued

- Petroleum, U. S. concern over difficulties of American oil interests in Mexico, 764-770; Morrow-Calles arrangement of 1928, 768-769
- Radio, U. S. representations against interference with radio stations in United States by amateur stations in Mexico, 806-813
- Religious situation, 782-806
 - Borah resolution. *See* U. S. Congressional resolutions, *infra*.
 - Protests from various sources in United States, 797-798
 - Religious refugees entering United States, facts concerning, 788-789
- Statements attributed to U. S. Ambassador, clarification of, 782-785
- Status of situation and indications of improvement, 767, 770, 802, 804, 806
- U. S. citizens, question of mistreatment or discrimination (*see also* U. S. Congressional resolutions, *infra*), 785-786, 800-801, 802-803
- U. S. Congressional resolutions in protest: *H. Res.* 277, 802-804; *S. Res.* 70 (Borah resolution), 767, 785-788, 789-795, 798
- U. S. policy of noninterference, 784, 789-800, 803, 804-806; historical precedents, cited, 791-792
- Rio Grande, rectification of, 767
- Treaties and agreements with United States:
 - Amity and commerce, treaty of 1831, and proposed treaty of 1921, 800-801
 - Claims agreements, cited: General claims convention of 1923, 755-756, 757, 761; protocol of 1932, 756; protocol of 1934, 753, 755, 756, 758, 760-761, 762, 774
 - Treaty providing for assistance to and salvage of vessels in territorial waters, signed *June 13*, citation to text, 813
- Monroe Doctrine, 482, 518
- Most-favored-nation principle (*see also* Ecuador: Commercial *modus vivendi*), U. S. negotiations with Haiti, 642-650
- National City Bank of New York (*see also* Haiti: National Bank), 355, 356, 358
- National Geographic Society, 750-752
- Netherlands, 402, 409

- Neutrality policy of United States, 5
- Nicaragua, 814-888
 - Constitutional government of President Sacasa, problems of. *See* Political unrest, *infra*.
 - Exchange Control Commission, 818, 819
 - Guardia Nacional. *See* Political unrest, *infra*.
 - Guatemala, Nicaraguan attitude on extension of term of office for President Ubico, 638-639
 - Inter-American Highway, discussions with United States concerning, 252-254, 259-260, 260*n*, 261*n*
 - Municipal elections, 886
 - Noninterference policy of United States. *See* Political unrest: U. S. policy, *infra*.
 - Political unrest, Somoza's presidential ambitions and friction with President Sacasa, 842-888
 - Attitude of foreign governments, 855-859, 861, 872-873
 - Chamorro, Gen. Emiliano, activities of, 880, 886-888
 - Information and reports concerning, 843-844, 848-849, 859-861, 862-867, 871, 871-873, 875-876, 879-882, 883, 884, 886-888
 - Moncada, Gen. José Maria, activities of, 846, 854, 867, 875, 876, 880
 - Recognition question, 845-847, 859, 863-864
 - Revolutionary activities, 848, 850-854, 874-875, 880, 881-882, 883
 - U. S. policy of noninterference in internal affairs, 842-843, 845, 848-849, 854-855, 861, 862, 863, 865-870, 871, 873, 874-875, 877-879, 883-886
 - Somoza, Gen. Anastasio. *See* Political unrest, *supra*.
 - Trade agreement with United States, proposed, 814-842
 - Exchange control, relation to, 818-820, 837, 838
 - Negotiations, 820-823, 824-842
 - Nicaraguan proposed tariff law, relation to, 814-820, 821, 823-824, 832-833
 - Sugar problem, 829-830, 837, 838, 840, 842
 - Trade relations with various countries, 735-736, 815, 816-817, 818, 821-822, 826-827
 - Nobel Peace Prize, 2, 4
 - Noninterference policy of United States (*see also* U. S. policy under Mexico: Religious situation and under Nicaragua: Political unrest), 686
 - Nonrecognition policy of United States and Central American States, 629-630, 845-847, 859, 863-864

- Pan American Commercial Conference, Buenos Aires, *May 26-June 19*, 55, 218, 507
- Pan American Highway. *See* Inter-American Highway.
- Pan American Union, 220, 519
- Panama, 889-931
- Annuity payments by United States under terms of Treaty of 1903, Panamanian objection to payment in devalued dollars, 911-931
- Exchange of notes on coinage, 889, 927-928, 931
- Negotiations between United States and Panama: Panamanian contentions and suggested plans for settlement, 911-913, 914-915, 916-920, 923-924, 925-927; U. S. position and efforts toward solution by treaty provision, 913-914, 915-916, 920-921, 922-923, 925, 927-931
- Nonacceptance by Panama of payments for 1934 and 1935, 916-917, 920, 921-922
- Settlement of annuity question by provision in general treaty, 931*n*
- Canal Zone, U. S.-Panamanian administrative and fiscal problems (*see also* Annuity payments, *supra*): Commissary and ship sales, 893, 896-897, 904-910; deportees, question of re-entry into Zone, 893-894, 899, 900, 902-903; land acquisition, 891-892, 894, 895, 898, 899, 900; personnel policy in Canal Zone service, 903; sanitary administration, 894; trans-Isthmian highway, 892, 902*n*; transit rights for Panamanian deportees, 893-894, 899, 900, 902-903
- Foreign debt, 922-924, 925, 926-927, 930
- Inter-American Highway, discussions with United States concerning, 244-245, 250, 260*n*, 261*n*, 264*n*
- Monetary agreement of 1904 with United States, 911-912, 927
- Radio communications, 892, 897, 901-902
- Trans-Isthmian highway, 892, 902*n*
- Treaty of 1903 with United States (*see also* Annuity payments, *supra*), negotiations for revision, 889-910; signature of new treaty and related conventions (*Mar. 2*, 1936), 902*n*
- Paraguay. *See* Chaco dispute.
- Patents and trade marks, Chilean discrimination against foreigners in fees charged for registration, 423-429
- Penn Tobacco Co. *See* Dominican Republic: Dominican Tobacco Co.
- Permanent Court of International Justice, 63, 68, 69, 72, 73, 74, 89, 117, 126, 128, 129, 144, 183
- Peru (*see also* Leticia dispute), 932-945
- Chaco dispute, 54-55, 86-87, 95, 108, 110-111, 111-112, 133
- Ecuadoran revolutionary government, Peruvian recognition of, 536
- Inter-American Conference for the Maintenance of Peace, attitude toward, 2-5
- Japanese immigration, problem of, 940
- Sugar problem, 934-945 *passim*
- Tariff revision, 938, 940-941
- Trade agreement with United States, preliminary discussions, 932-945
- Trade relations with various countries, 938-939, 939-940
- Petroleum (*see also* under Mexico), 961-962, 966
- Philippine Islands, 912-913, 915, 916
- Portugal, 320
- Press, freedom of, 233-234, 238, 782, 795
- Prisoners of war. *See* under Chaco dispute: Peace Conference.
- Pullman Co., 394, 395
- Radio communications, 806-813, 892, 897, 901-902
- Radiotelegraph convention of 1927, 807, 808-809, 810
- RCA-Victor Corp., 417, 419
- Recognition question: Ecuador, Paez government, 533, 534-538; Nicaragua, presidential ambitions of Gen. Somoza, 845-847, 859, 863-864
- Red Cross Conference, Rio de Janeiro, 135-139, 141
- Refugees, religious, 788-789
- Religious freedom. *See* Mexico: Religious situation.
- Rio de Janeiro Pact. *See* Leticia dispute: Protocol.
- Roosevelt, Franklin D. (President): Galápagos Islands, attitude toward internationalization of, 519, 522; Guatemalan President Ubico, exchange of letters with, 636-637, 639-641; Inter-American Conference for the Maintenance of Peace, initiative in connection with, 1, 2, 3, 6; neutrality policy, 5; Panama Canal annuity problem, views on, 925, 930
- Rubber, 463
- Saavedra Lamas, Carlos. *See* under Argentina.
- Securities and Exchange Commission, 580-581, 582-584

Simmons Construction Co. *See under* Costa Rica.
 Smithsonian Institution, 520, 521, 522
 Soviet Union, trade with Uruguay, 950-954, 967, 968
 Spain, 637-638, 775, 821, 947, 959, 960
 Sugar, 829-830, 837, 838, 840, 842, 934-945 *passim*
 Swan Islands, Honduran reservation of claim to sovereignty over, 750-752
 Sweden, 363, 959
 Tariff Act of 1930, cited, 540, 737, 816, 837
 Taxation. *See under* Argentina.
 Territorial waters: Ecuadoran fishing regulations purporting to extend territorial waters beyond the three-mile limit, 514-517; U. S.-Mexican treaty relative to, 813
 Trade agreements between United States and other countries:
 Conclusion of agreements with—
 Brazil. *See under* Brazil.
 Colombia, 430-442
 Haiti, 642-650
 Honduras, 729-750
 Discussions and negotiations with—
 Argentina, 266-268, 273-274
 Chile, 389-394, 407-409, 416-417, 419
 Costa Rica, 449-464
 Ecuador, 506-514
 El Salvador, 539-568, 581
 Guatemala, 585-614
 Nicaragua, 814-842
 Peru, 932-945
 Uruguay, 946-948, 969
 Trade Agreements Act of June 12, 1934, cited, 390, 392-393, 432, 553, 939
 Treaties, conventions, etc. (*see also* Trade agreements):
 Anti-war treaty (1933), cited, 97
 Artistic and scientific institutions and historic monuments, treaty between United States and other American Republics for protection of, text signed Apr. 15, 219-221
 Buenos Aires Peace Protocol. *See* Chaco dispute: Peace Protocol.
 Central American General Treaty of Peace and Amity (1923), 630, 640, 843, 846, 847, 857, 860, 863-864
 Commercial aviation. *See* Commercial aviation convention of Habana (1928).
 Hague convention concerning recovery of contract debts (1907), cited, 473
 Pan American commercial conventions signed June 19, citation to texts, 218

Treaties, conventions, etc.—Continued
 Radiotelegraph convention of 1927, 807, 808-809, 810
 Rights and duties of states (1933), 799-800
 Rio de Janeiro Pact. *See* Leticia dispute: Protocol.
 Roca-Runciman treaty between Argentina and Great Britain, 266, 267, 279
 Roerich Pact, 219
 Telecommunications convention of Madrid (1932), 807, 810
 Treaty of Petropolis (1903), allusions to, 134, 153, 155, 157
 U. S.-Argentina, unperfected sanitary convention, text signed May 24, 296-299
 U. S.-Brazil, agreements amending 1934 agreement for U. S. military mission to Brazil, 388
 U. S.-Cuba, treaty of relations, 1934, replacing treaty of 1903, 476
 U. S.-Ecuador, treaty of 1854, 518
 U. S.-Haiti. *See* Haiti: Treaties.
 U. S.-Honduras, treaty of friendship, commerce, and consular rights (1927) 735-736
 U. S.-Mexico. *See* Mexico: Treaties.
 U. S.-Panama. *See* Panama: Monetary agreement and Treaty of 1903.

United Kingdom:

Bonds and bondholders: Argentina, proposal for servicing of British sterling bonds, 280-281, 281-282, 288; Brazil, agreement with United Kingdom for liquidation of deferred credits, 354, 355-356, 357, 358, 359, 361, 363, 364, 367-368, 382
 Chaco dispute, 39-41
 Ecuador: British recognition of revolutionary government, 537; Galápagos Islands, British interest in possible internationalization of, 519-526
 Leticia dispute, 200, 201, 206-207
 Mexican land expropriations, British attitude toward, 775
 Trade relations with various American Republics, 266, 267, 268, 279, 339, 402, 409, 609, 610, 659, 821, 938, 939, 946, 948, 949, 958, 963, 966, 973
 Uruguay, 946-973
 American Association of Uruguay, 962, 963, 964, 965, 972
 Chaco dispute: Attitude toward possible conference for conciliation, 11-12; question of participation in mediation negotiations, 18, 20, 24, 25, 34, 38, 45, 47, 53, 54, 55, 56; representation at Chaco

Uruguay—Continued

- Peace Conference and pre-Conference discussions, 85, 86, 87, 95, 108, 133
- Customs discriminations against American importations into Uruguay, U. S. representations concerning, 949-957
- Exchange Control Commission, 951, 952, 958
- Exchange restrictions, U. S. efforts to secure equitable treatment for American interests, 957-973
- Blocked funds, question of, 970-971, 972-973
- Negotiations between representatives of American interests and Uruguayan officials, 962-965, 972-973
- Petroleum interests, problems of, 961-962; similar representations by U. S. and British Governments, 966
- U. S. representations and discussions with Uruguay, 957-962, 966-972

Uruguay—Continued

- Foreign debt, 963, 965, 971-972, 973
- Trade agreement with United States, preliminary discussions, 946-948; debt and exchange problems, relation to, 946, 969
- Trade relations with various countries, 320, 946-947, 948, 949, 950-954, 956, 958, 959-960, 963, 967, 968
- U. S. citizens. *See under* Dominican Republic *and* Mexico: Religious situation.
- U. S. Congress. *See under* Mexico: Religious situation.
- U. S. Supreme Court: Decisions cited, 917-919, 920, 921; question of participation of a member in Chaco tribunal on war responsibility, 104, 142, 144, 147-148, 148-149, 150
- War between United States and Japan, possibility of, 387-388, 897
- West India Oil Co., 961-962



