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Foreign
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1925
Volume II

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Papers Relating to the
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United States)

1925

(In Two Volumes)

Volume II



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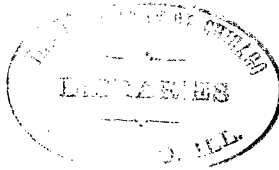
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FRANCE

PRECAUTIONS BY THE UNITED STATES FOR THE SAFETY OF AMERICANS DURING THE SYRIAN INSURRECTION

1925 Aug. 7	<i>From the Consul at Beirut (tel.)</i> Report on causes of the Druse uprising; the unsuccessful efforts of the French to subdue the uprising and the seriousness of the military situation; the sending by the French authorities at Damascus of their families to Beirut and their advice that the U. S. and Italian consuls do likewise.	105
Aug. 10	<i>To the Consul at Beirut (tel.)</i> Authorization to use his discretion, in consultation with the consul at Damascus, as to advising U. S. citizens in affected region to go to Beirut. Information that arrangements will be made for the dispatch of two U. S. destroyers from the Mediterranean to Beirut or Alexandria, if the consul deems it necessary.	106
Aug. 11	<i>From the Consul at Beirut (tel.)</i> Opinion that it is not yet necessary or advisable to send U. S. destroyers to Beirut. Report on the unsuccessful military measures of the French.	106
Oct. 9	<i>From the Consul at Beirut (tel.)</i> Report that the Druse uprising is spreading and that the French have insufficient troops to cope with both the Druses and possible general uprisings.	107
Oct. 17	<i>To the Consul at Beirut (tel.)</i> Instructions to telegraph recommendations regarding an appeal of Dr. Ward, of the American University at Beirut, for \$50,000 for refugees in Hauran; and to comment on press reports that the Druse tribesmen have cut the Damascus-Beirut railway.	107
Oct. 19	<i>From the Consul at Beirut (tel.)</i> Recommendation that the Red Cross send the \$50,000 for refugees in Hauran. Information that the Damascus-Beirut railway has not yet been reported cut. Request that the two U. S. destroyers be ready to proceed to Alexandria.	108
Oct. 19	<i>From the Consul at Beirut (tel.)</i> Report that two-thirds of Damascus is in the hands of revolutionists; that foreigners have taken refuge in consulates; and that the Damascus-Beirut railway has been cut.	108
Oct. 20	<i>To the Consul at Beirut (tel.)</i> Information that the two destroyers have been ordered to Alexandria but can be diverted direct to Beirut if the consul so recommends. Instructions to make recommendations and report on possible relief funds required for U. S. citizens and the native population.	109

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PRECAUTIONS BY THE UNITED STATES FOR THE SAFETY OF AMERICANS DURING
THE SYRIAN INSURRECTION—Continued

Date and number	Subject	Page
1925 Oct. 21	<i>From the Consul at Beirut (tel.)</i> Opinion that the destroyers are not yet needed at Beirut, but should wait at Alexandria; that no relief funds are required for U. S. citizens. Recommendation that the Red Cross send \$15,000 to the American Emergency Relief Committee for immediate relief of 8,000 Christian refugees.	109
Oct. 23	<i>From the Consul at Beirut (tel.)</i> Report that the French have demanded gold and rifles from Damascus by noon October 24, otherwise they will recommence the bombardment of the city. Possibility that arrangements can be made to postpone or prevent the bombardment. Inquiry whether the Department would consider making representations to Paris.	110
Oct. 23	<i>To the Consul at Beirut (tel.)</i> Advice that the Department could not appropriately intervene in present situation; desire, however, to protect U. S. citizens.	110
Oct. 23	<i>From the Consul at Beirut (tel.)</i> Report that Syria has guaranteed to pay the fine, and the bombardment has been postponed pending more definite settlement; that refugees are pouring into Beirut; that brigandage is spreading, and uprisings at Beirut and other places are potentially possible. Repetition of inquiry whether Department would consider making representations to Paris.	110
Oct. 24 (391)	<i>To the Ambassador in France (tel.)</i> Instructions to make immediate and vigorous representations to the Foreign Minister with respect to the protection of U. S. lives and property in Syria.	111
Oct. 26	<i>From the Consul at Beirut (tel.)</i> Request that the Red Cross and the Near East Relief be informed of the dire distress of 12,000 Armenian refugees at Damascus. Repetition of recommendation that the Red Cross send \$50,000 immediately and possibly more later.	111
Oct. 27	<i>To the Consul at Beirut (tel.)</i> Arrival of two U. S. destroyers at Alexandria, October 26.	112
Oct. 28	<i>From the Consul at Beirut (tel.)</i> Telegram, October 27, from the consul at Damascus (text printed) reporting increase in French fines; pessimism for future unless forces increased and policy changed. Note sent to French High Commissioner (text printed) requesting that sufficient warning be given if it should become necessary to bombard Beirut.	112
Oct. 29	<i>To the Consul at Beirut (tel.)</i> Authorization to draw on the Department for \$2,000 appropriated by the Red Cross for relief of U. S. citizens. Decision reached by Red Cross and Department not to make appropriation for relief of native refugees, since the situation is due primarily to French tactics and the responsibility therefor rests entirely upon the French.	113

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PRECAUTIONS BY THE UNITED STATES FOR THE SAFETY OF AMERICANS DURING
THE SYRIAN INSURRECTION—Continued

Date and number	Subject	Page
1925 Oct. 29	<i>From the Consul at Beirut (tel.)</i> High Commissioner's note assuring the consul that sufficient warning will be given if it should become necessary to bombard Beirut. Report on conditions in Damascus. Opinion that the brigand movement in Damascus is apt to develop into a widespread, organized revolutionary movement.	114
Oct. 30	<i>From the Consul at Beirut (tel.)</i> Concurrence with decision of Department and Red Cross concerning relief of refugee natives. Suggestion that the Near East Relief be advised of the Department's views in the matter.	114
Oct. 30 (403)	<i>To the Ambassador in France (tel.)</i> Telegram for repetition to the consul at Beirut for his information and for the consul at Damascus (text printed), quoting a Paris press report that the U. S. Embassy has furnished the French Government with more information concerning Syria than the Government has received from General Sarrail himself; and authorizing the consul at Damascus to repeat to Paris any further telegrams which might be of assistance should further representations be necessary.	114
Oct. 30	<i>To the Consul at Beirut (tel.)</i> Authorization to communicate request for destroyers direct to consul at Alexandria. Instructions to keep the consul at Damascus fully advised and to make available to him any part of the \$2,000 needed in the Damascus district. Approval of reports and action taken by him and the consul at Damascus.	115
Oct. 31 (532)	<i>From the Ambassador in France (tel.)</i> Report that General Sarrail has been recalled and that General Duport will act as French High Commissioner pending the appointment of a civilian Commissioner.	116
Nov. 3	<i>From the Consul at Beirut (tel.)</i> Report that the destroyers have been requested to arrive on November 5 for moral effect of their presence in possibly preventing an uprising.	116
Nov. 3	<i>From the Consul at Beirut (tel.)</i> French announcement of General Sarrail's instructions to leave for Paris to make verbal explanations. Consul's opinion that France's position is more difficult than at any time since 1919 and her prestige at its lowest ebb.	116
Nov. 4	<i>From the Consul at Beirut (tel.)</i> Telegram from the consul at Damascus, November 3 (text printed), reporting that, with a large rebel force advancing on Damascus, the situation is becoming more serious daily; and expressing fear that naturalized Americans residing in troubled areas may be in danger.	117
Nov. 7	<i>To the Consul at Beirut (tel.)</i> Telegram for the consul at Damascus (text printed) advising him to remain at his post only if he can afford consular protection to U. S. citizens without needlessly exposing himself to danger. Instructions to consult with the consul at Damascus as to the propriety of the latter's remaining at his post; also to apply the same considerations to the consul at Aleppo should a critical situation develop there.	118

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PRECAUTIONS BY THE UNITED STATES FOR THE SAFETY OF AMERICANS DURING
THE SYRIAN INSURRECTION—Continued

Date and number	Subject	Page
1925 Nov. 7	<i>From the Consul at Beirut (tel.)</i> Opinion that there will be no uprising at Beirut as long as U. S. destroyers remain in the harbor. Recommendation that they remain until it is certain the French have taken adequate measures for the protection of U. S. citizens and their property.	118
Nov. 9 (554)	<i>From the Ambassador in France (tel.)</i> Report of the appointment of Senator Henry de Jouvenel, editor of <i>Le Matin</i> , as High Commissioner in Syria.	119
Nov. 13 (561)	<i>From the Ambassador in France (tel.)</i> Opinion that the French desire the departure of the U. S. destroyers at Beirut, since presence of destroyers has served as a pretext for Italy to send ships possibly for political reasons and since their departure would coincide with the arrival of the new French High Commissioner. Suggestion that the destroyers be withdrawn to some port in Palestine or Cyprus until the situation clears.	120
Nov. 13	<i>From the Consul at Beirut (tel.)</i> Telegram from the consul at Damascus, November 11 (text printed), reporting the dangers to which Americans in Damascus and naturalized Americans in interior villages are exposed and the inability of the French to protect the latter; and expressing his desire to remain at his post. Information that the consul at Damascus has been instructed to come to Beirut for further consultation and to bring his family, in view of rumors of a serious attack to be made on Damascus within a few days.	120
Nov. 13	<i>From the Consul at Beirut (tel.)</i> Report on visit to Sidon to investigate and organize relief for naturalized Americans among the refugees driven from the Merjayoun district by the Druse advance into Lebanon; and rumors of efforts being made to persuade other elements to join the revolutionary movement.	121
Nov. 14	<i>To the Consul at Beirut (tel.)</i> Transmission of telegram No. 561, November 13, from the Ambassador in France. Request for opinion whether the Lebanon disorders might be encouraged by the departure of the destroyers and whether the lives of Americans might be endangered thereby. Instructions, should the consul approve of the departure of the destroyers.	121
Nov. 15	<i>From the Consul at Beirut (tel.)</i> Opinion that the need for destroyers at Beirut is greater than ever, as the situation is rapidly growing more serious. Request that action be postponed until receipt of telegrams giving details.	122
Nov. 15	<i>From the Consul at Beirut (tel.)</i> Report that the French are arming native Christians as a result of the Druse advance into Lebanon and that this may draw other religious factions into the strife; and opinion that the destroyers should remain until the situation clears.	122
Nov. 16	<i>From the Consul at Beirut (tel.)</i> Detailed report on situation and reasons for continued presence of the destroyers. Belief that Italian ships were not sent for political reasons.	123

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PRECAUTIONS BY THE UNITED STATES FOR THE SAFETY OF AMERICANS DURING
THE SYRIAN INSURRECTION—Continued

Date and number	Subject	Page
1925 Nov. 17	<i>To the Consul at Beirut (tel.)</i> Information that the Department has no intention of withdrawing the destroyers.	124
Nov. 23	<i>From the Consul at Beirut (tel.)</i> Request for discretionary authority to dispense with destroyers, which possibly could be done about December 1 when the new High Commissioner is due to arrive.	124
Nov. 24	<i>To the Consul at Beirut (tel.)</i> Refusal to give discretionary power until reports as to adequacy of French measures to protect American lives and property are more reassuring.	124
Nov. 28	<i>From the Consul at Beirut (tel.)</i> Telegram from the consul at Aleppo, November 26 (text printed), reporting increased disturbances in the interior. Recommendation that the presence of the destroyers be continued until the situation becomes more clarified.	125
Dec. 4	<i>From the Consul at Beirut (tel.)</i> Report of the arrival of the new High Commissioner and of sufficient reinforcements to assure public safety in coast regions. Recommendation that the destroyers be withdrawn.	126
Dec. 5	<i>To the Consul at Beirut (tel.)</i> Information of arrangements for the withdrawal of the destroyers to Alexandria until December 15. Instructions to telegraph whether the destroyers should remain near Beirut for a longer time. (Footnote: Information that the destroyers were retained within a short cruising distance of Beirut until December 28.)	126

PLACING OF AMERICAN RESIDENTS OF FRANCE ON AN EQUALITY WITH FRENCH
CITIZENS WITH RESPECT TO INCOME TAX EXEMPTIONS

1924 Oct. 17 (4502)	<i>From the Chargé in France</i> Belief that, except for article 11 of the treaty of 1800, there is no provision in treaties between the United States and France under which U. S. citizens might claim right under article 44 of the French law of March 22, 1924, to reductions in income taxes accorded to citizens of countries having treaties of reciprocity with France. Request for instructions.	127
Nov. 10 (1190)	<i>To the Chargé in France</i> Information that there is no treaty in force between the United States and France bearing on the matter, the treaty of 1800 having expired in 1809. Instructions to call attention to U. S. Revenue Act of 1924 under which aliens resident in the United States are assessed income taxes at the same rate and with the same exemptions as U. S. citizens; and to express the hope that U. S. citizens resident in France will be accorded equality with French citizens with respect to income tax rates and exemptions.	127

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PLACING OF AMERICAN RESIDENTS OF FRANCE ON AN EQUALITY WITH FRENCH CITIZENS WITH RESPECT TO INCOME TAX EXEMPTIONS—Continued

Date and number	Subject	Page
1925 Jan. 7 (4737)	<i>From the Ambassador in France</i> Foreign Office note, December 30, 1924, stating inability to grant request in absence of conventional agreements and intimating that a convention on the subject might be made. Request for instructions whether to follow up the French intimation.	129
May 26 (293)	<i>From the Ambassador in France (tel.)</i> Report on receipt of various complaints from U. S. citizens because, in certain instances, they have to pay higher income taxes than French citizens. Request for instructions.	130
June 6 (1535)	<i>To the Ambassador in France</i> Information that, in the absence of applicable treaty provisions, the United States cannot demand the right of U. S. citizens to reciprocal income tax exemptions and that it is inadvisable to negotiate a treaty on the subject at the present time. Instructions to report the difference between taxes assessed against U. S. citizens and French citizens and whether U. S. citizens receive less favorable treatment than nationals of any other country.	130
June 22 (5318)	<i>From the Ambassador in France</i> Report on deductions allowed to French citizens and to citizens of countries having treaties of reciprocity with France. Advice that U. S. citizens receive no less favorable treatment than nationals of any other country, with the exception of those having treaties of reciprocity with France.	131
Nov. 30 (5778)	<i>From the Ambassador in France</i> Foreign Office note, November 24 (text printed), placing U. S. citizens resident in France on equality with French citizens with respect to income tax exemptions, under a broad interpretation of the consular convention of 1853.	131

GERMANY

AGREEMENT REGULATING THE DISTRIBUTION OF THE DAWES REPARATION ANNUITIES, CONCLUDED AT THE CONFERENCE OF MINISTERS OF FINANCE, PARIS, JANUARY 14, 1925

1925 Jan. 2 (5)	<i>From the Ambassador in France (tel.)</i> Foreign Office note, January 2 (text printed), suggesting the postponement of the Conference of Finance Ministers from January 6 to January 7, and outlining the work of the conference.	133
Jan. 3 (10)	<i>To the Ambassador in France (tel.)</i> Note for Foreign Office (text printed) agreeing to the postponement of the conference for one day; and stating the purpose for which the United States will be represented at the conference. (Footnote: Information that on January 3 Herrick, Kellogg, and Logan were instructed to represent the United States at the conference.)	134

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AGREEMENT REGULATING THE DISTRIBUTION OF THE DAWES REPARATION ANNUITIES, CONCLUDED AT THE CONFERENCE OF MINISTERS OF FINANCE, PARIS, JANUARY 14, 1925—Continued

Date and number	Subject	Page
1925 Jan. 7 (19)	<i>From the Ambassador in France (tel.)</i> From Logan: Report on the convening of the conference; and on a conversation with Churchill, the head of the British delegation, who agreed to U. S. participation in reparations on basis of U. S. memorandum of January 3, but reserved for discussion and adjustment the U. S. figures of 65 million gold marks on account of Army costs and 60 million on account of other claims. Statement issued to the press by Churchill (text printed).	134
Jan. 9 (21)	<i>From the Ambassador in France (tel.)</i> From Logan: Report on Churchill's compromise offer of 95 million and Logan's alternative proposals for 100 million. Request for authorization to settle on either 95 or 100 million basis.	135
Jan. 9 (17)	<i>To the Ambassador in France (tel.)</i> For Logan: Instructions to insist upon a minimum of 100 million in normal year, of which 50 million at least and preferably more would consist of priority payments on Army costs.	136
Jan. 9 (18)	<i>To the Ambassador in France (tel.)</i> For Logan: Authorization to accept Churchill's offer of 55 million cash priority for Army costs to begin September 1, 1926, provided there is suitable participation to yield 45 million, making a minimum total of 100 million during normal year, and proportionate payment prior thereto.	137
Jan. 10 (28)	<i>From the Ambassador in France (tel.)</i> From Herrick, Kellogg, and Logan: Report on tentative agreement with Churchill on 100 million basis. Inquiry concerning balance on deposit in Federal Reserve Bank in blocked account.	137
Jan. 10 (26)	<i>To the Ambassador in France (tel.)</i> For Herrick, Kellogg, and Logan: Department's understanding and approval of agreement reached with Churchill, except the Department would prefer interest on arrears but would not insist upon it; congratulations upon successful outcome of negotiations.	138
Jan. 11 (31)	<i>From the Ambassador in France (tel.)</i> From Logan: Inquiry whether the agreement to be concluded at the conference can be given effect by Executive approval; also whether there should be one inclusive agreement or whether the U. S. settlement should be in a separate document.	139
Jan. 13	<i>From the Ambassador in Great Britain, Temporarily in Paris (tel.)</i> Opinion that no one but Logan need sign the agreement which would probably be concluded that night, though its signature might be delayed so the smaller powers may examine the instrument. Inquiry whether the Ambassador should remain at Paris until matter is fully settled.	140

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AGREEMENT REGULATING THE DISTRIBUTION OF THE DAWES REPARATION ANNUITIES, CONCLUDED AT THE CONFERENCE OF MINISTERS OF FINANCE, PARIS, JANUARY 14, 1925—Continued

Date and number	Subject	Page
1925 Jan. 13 (35)	<i>From the Ambassador in France (tel.)</i> From Herrick, Kellogg, and Logan: Draft of the section of the conference report dealing with the U. S. share in the Dawes annuities (text printed).	140
Jan. 13 (30)	<i>To the Ambassador in France (tel.)</i> For Herrick, Kellogg, and Logan: Instructions to endeavor to eliminate from the draft the limitation of U. S. claims to \$350,000,000, as this amount was merely an estimate of the probable awards.	142
Jan. 13 (31)	<i>To the Ambassador in France (tel.)</i> For Herrick, Kellogg, and Logan: Understanding that waiver with respect to reparation payments of ex-enemy powers other than Germany applies to waiver with respect to Army costs, it being essential that the United States should not be precluded from recovering in due course the other U. S. claims from ex-enemy states.	142
Jan. 13 (33)	<i>To the Ambassador in France (tel.)</i> For Herrick, Kellogg, and Logan: View that the \$350,000,000 limitation on U. S. claims would constitute a modification of U. S. treaty rights and that therefore more than Executive approval would be required to give effect to the agreement. Preference for one inclusive agreement. Instructions to sign agreement with a reservation (text printed) with respect to questions with which the United States is not concerned. Authorization to use own discretion regarding question whether all three American representatives should sign the agreement.	143
Jan. 14 (41)	<i>From the Ambassador in France (tel.)</i> From Herrick, Kellogg, and Logan: Report that the \$350,000,000 limitation on U. S. claims has been eliminated from the final agreement.	144
Jan. 14 (42)	<i>From the Ambassador in France (tel.)</i> From Herrick, Kellogg, and Logan: Reasons why the U. S. representatives signed the agreement without making the reservation desired by the Department.	144
Jan. 14 (43)	<i>From the Ambassador in France (tel.)</i> From Herrick, Kellogg, and Logan: Assurance that the only waiver made is waiver under the Wadsworth Agreement for claims such as the Bulgarian moneys and that U. S. rights under treaties with Austria, Hungary, and Turkey have not been affected.	145
Jan. 14	<i>Final Protocol of the Conference and Agreement</i> Regarding the distribution of the Dawes annuities.	145
Jan. 15 (47)	<i>To the Ambassador in France (tel.)</i> For Logan: Instructions to have the National Bank of Belgium wire the Federal Reserve Bank of New York to release blocked account.	162
Jan. 19 (70)	<i>From the Ambassador in France (tel.)</i> From Logan: Report that the bank cabled release of blocked account on January 16.	162

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AGREEMENT REGULATING THE DISTRIBUTION OF THE DAWES REPARATION ANNUITIES, CONCLUDED AT THE CONFERENCE OF MINISTERS OF FINANCE, PARIS, JANUARY 14, 1925—Continued

Date and number	Subject	Page
1925 Sept. 21	<p data-bbox="208 392 863 435"><i>Agreement Regulating the Amounts To Be Allocated Out of the Second Dawes Annuity</i></p> <p data-bbox="208 435 863 505">For the armies of occupation in the Rhineland, the Inter-Allied Rhineland High Commission, and the Inter-Allied Military Commission of Control in Germany.</p>	163

RETURN OF THE D. A. P. G. TANKER CASE TO THE ARBITRATORS FOR A MAJORITY DECISION

1925 Jan. 28 (49)	<p data-bbox="208 635 634 661"><i>To the Ambassador in Great Britain (tel.)</i></p> <p data-bbox="208 661 863 748">Instructions to continue to assist the Standard Oil Co. in its endeavor to persuade the British Government to accept the compromise on the D. A. P. G. tanker case suggested by the arbitrators in preference to calling in a third arbitrator.</p>	165
Feb. 26 (1084)	<p data-bbox="208 765 552 791"><i>From the Chargé in Great Britain</i></p> <p data-bbox="208 791 863 869">British note, February 25 (text printed), refusing to accept the compromise suggested by the arbitrators as an alternative to calling in a third arbitrator; and indicating that the arbitration should be allowed to take its course.</p>	166
Mar. 31 (141)	<p data-bbox="208 887 563 913"><i>To the Ambassador in France (tel.)</i></p> <p data-bbox="208 913 863 1008">For Hill: Department's view that the tanker case should be returned to the arbitrators for a majority decision; Standard Oil Co.'s accord with this view provided the third arbitrator is Dr. Sjoeborg, as already agreed upon. Instructions in the event that Sjoeborg is unable to serve.</p>	168
July 2	<p data-bbox="208 1025 847 1052"><i>To the Associate General Counsel of the Standard Oil Company</i></p> <p data-bbox="208 1052 863 1130">Department's refusal to designate counsel to serve with Standard Oil Co.'s counsel in presenting the case to the third arbitrator. Assurance that Hill will render all proper assistance short of acting as counsel.</p>	169
July 25	<p data-bbox="208 1147 858 1173"><i>To the Unofficial Representative on the Reparation Commission</i></p> <p data-bbox="208 1173 863 1234">Instructions as to extent to which assistance may be rendered in the presentation of the tanker case to the tribunal when the third arbitrator is called in.</p>	170
Sept. 23	<p data-bbox="208 1251 858 1277"><i>To the Unofficial Representative on the Reparation Commission</i></p> <p data-bbox="208 1277 863 1430">Concurrence in opinion that the third arbitrator is a member of the tribunal and not an umpire, and that, therefore, additional briefs and oral arguments may be presented before the tribunal. Instructions to make no suggestions concerning the employment of counsel by the Standard Oil Co., as the Department does not desire to assume any responsibility for the presentation of the case before the tribunal.</p>	171

POLICY OF THE DEPARTMENT OF STATE REGARDING AMERICAN BANKERS' LOANS TO GERMAN STATES AND MUNICIPALITIES

1925 Sept. 15 (295)	<p data-bbox="208 1558 552 1584"><i>From the Ambassador in Germany</i></p> <p data-bbox="208 1584 858 1628">Opinion that the placing of any further German municipal loans in the United States should be discouraged.</p>	172
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POLICY OF THE DEPARTMENT OF STATE REGARDING AMERICAN BANKERS' LOANS
TO GERMAN STATES AND MUNICIPALITIES—Continued

Date and number	Subject	Page
1925 Sept. 23 (329)	<i>From the Ambassador in Germany</i> Warning against the granting of loans by U. S. bankers to German municipalities.	174
Sept. 29 (344)	<i>From the Ambassador in Germany</i> Further warning against present policy of U. S. bankers with respect to loans in Germany.	176
Oct. 16 (173)	<i>From the Ambassador in Germany (tel.)</i> From Gilbert: Information of numerous inquiries received from U. S. bankers as to the attitude of the Transfer Committee toward the service of German loans floated in the United States; and of replies made to the effect that neither the Agent General nor the Transfer Committee could give any assurances regarding the service of such loans. Request for copy of the form letter evidently being used by the Department in advising interested bankers.	176
Oct. 17 (184)	<i>To the Ambassador in Germany (tel.)</i> Form letter used by the Department (text printed) advising interested bankers of the disfavor with which German authorities view municipal loans, and suggesting that the attitude of the Transfer Committee should be sought and their clients informed of the situation.	177
Oct. 23 (409)	<i>From the Ambassador in Germany</i> Communiqué issued by the German Ministry of Finance (text printed) expressing the unfavorable attitude of the Advisory Board toward foreign loans to German municipalities.	178
Oct. 29 (188)	<i>From the Ambassador in Germany (tel.)</i> From Gilbert: Inquiry whether the Department is still using the same form letter to interested bankers, as the majority of inquiries received interpret the Department's letter as discouraging all German loans whether productive or unproductive.	179
Oct. 31 (193)	<i>To the Ambassador in Germany (tel.)</i> Instructions to inform Gilbert that the Department is still using the same form letter to interested bankers. Advice that the Department does not wish to appear to enter into controversy with Gilbert on the matter.	180
Nov. 6 (195)	<i>To the Ambassador in Germany (tel.)</i> Instructions to make discreet investigation as to the instituting by the German Government of a stricter control over loans from abroad.	181
Nov. 11 (196)	<i>To the Ambassador in Germany (tel.)</i> Instructions to telegraph substance of statement reported to have been made by Gilbert to press correspondents; to make discreet investigation whether the Advisory Board has approved certain further loans; to report whether the Board has jurisdiction over state and industrial loans also, and whether the Board or any other German agency is likely to be able to control German borrowing from abroad.	181
Nov. 13 (194)	<i>From the Ambassador in Germany (tel.)</i> Gilbert's statement to the correspondent for the <i>Chicago Daily News</i> (text printed) with respect to the Transfer Committee's position on German loans to be floated abroad.	182

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POLICY OF THE DEPARTMENT OF STATE REGARDING AMERICAN BANKERS' LOANS TO GERMAN STATES AND MUNICIPALITIES—Continued

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1925 Nov. 14 (196)	<i>From the Ambassador in Germany (tel.)</i> Report on further loans approved by the Advisory Board; the Board's jurisdiction over state loans, but not over industrial loans; and reasons why effective control cannot be exerted by the Board over municipal loans.	182
Nov. 19	<i>From the Assistant Secretary of State to the Secretary of State</i> Brief résumé of situation with respect to German loans. Transmission of a draft form letter to bankers, differing only slightly from earlier letter.	183
Nov. 20	<i>To the Secretary of the Treasury</i> Transmission of a proposed form letter to bankers differing from earlier letter only in the deletion of suggestion that the attitude of the Transfer Committee should be sought and clients informed of the situation.	184
Nov. 21	<i>To Harris, Forbes & Company</i> Department's attitude with respect to a proposed loan of \$3,000,000 to the city of Duisburg.	186
Nov. 24 (511)	<i>From the Ambassador in Germany</i> Report on loans approved by the Advisory Board since November 14; German Government's realization that at least a show of instituting some effective control of public loans must be made.	187

ARRANGEMENT BETWEEN THE UNITED STATES AND GERMANY GRANTING RELIEF FROM DOUBLE INCOME TAX ON SHIPPING PROFITS

1923 Sept. 7 (137)	<i>From the Ambassador in Germany (tel.)</i> Foreign Office <i>note verbale</i> , September 5, 1923 (text printed), stating that the Finance Minister has issued an ordinance exempting U. S. steamship companies from the German corporation tax; and indicating a willingness to grant income tax exemptions to individual Americans carrying on shipping traffic in Germany, on condition of U. S. reciprocity.	188
Sept. 13	<i>From the German Embassy</i> Finance Minister's ordinance, August 10, 1923 (text printed), exempting companies domiciled and managed in the United States from tax on incomes derived exclusively from the operation of ships, under condition of full reciprocity and reservation of revocation at any time.	188
Oct. 6 (79)	<i>To the Ambassador in Germany (tel.)</i> Instructions that U. S. citizens not residing in Germany should also be exempt from tax on earnings derived exclusively from the operation of ships in order to satisfy the equivalent exemption provision of section 213 (b) (8) of the 1921 revenue act; also to ascertain whether any income tax has been demanded or collected from such citizens or from domestic corporations since January 1, 1921.	189

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ARRANGEMENT BETWEEN THE UNITED STATES AND GERMANY GRANTING RELIEF
FROM DOUBLE INCOME TAX ON SHIPPING PROFITS—Continued

Date and number	Subject	Page
1924 Jan. 22 (526)	<i>From the Ambassador in Germany</i> Foreign Office <i>note verbale</i> , January 19, 1924 (text printed), stating that the Finance Minister issued an ordinance on January 5, 1924, exempting from income tax the incomes derived from the operation of ships by U. S. citizens not residing in Germany; also stating that such citizens and domestic corporations have not been subjected to income or corporation tax since January 1, 1921; and inquiring whether the United States will now grant similar exemptions.	190
Mar. 20 (3354)	<i>To the Ambassador in Germany</i> Note for the Foreign Office (text printed) stating that the exemption must apply to all corporations organized in the United States regardless of place of management and that Germany must show that U. S. citizens not residing in Germany and domestic corporations have not been and will not be subjected to income or corporation tax on any income earned since January 1, 1921. Instructions to furnish the Department with copies of the reply, the ordinance of January 5, 1924, and section 108 of the German Federal tax law.	191
Sept. 12 (734)	<i>From the Chargé in Germany</i> Foreign Minister's <i>note verbale</i> , September 3, 1924 (text printed), expressing readiness to amend ordinance of August 10, 1923, so that exemption will extend to all U. S. companies regardless of the location of their management, and willingness to abstain from supplementary collection of taxes since 1921. Transmittal, also, of ordinance of January 5, 1924, and section 108 of the German Federal tax law (texts printed).	193
Nov. 8 (3581)	<i>To the Chargé in Germany</i> Instructions to inform the Foreign Office that upon the completion of the action contemplated in the <i>note verbale</i> of September 3, 1924, the equivalent exemption provision of section 213 (b) (8) of the 1921 and 1924 revenue acts will be satisfied and the exemptions arranged for will be applicable for the year 1921 and subsequent years.	195
Dec. 12 (843)	<i>From the Ambassador in Germany</i> Foreign Office <i>note verbale</i> , December 11, 1924 (text printed), stating that an ordinance was issued December 9, 1924, making exemptions applicable to all U. S. companies regardless of the location of their management.	197
1925 Feb. 20 (3715)	<i>To the Ambassador in Germany</i> Instructions to inform the Foreign Office of the U. S. Treasury ruling that Germany has fulfilled all the conditions.	198

GREAT BRITAIN

CONVENTION BETWEEN THE UNITED STATES AND GREAT BRITAIN RELATING TO
AMERICAN RIGHTS IN THE CAMEROONS

1925 Feb. 10	<i>Convention Between the United States of America and Great Britain</i> Relating to American rights in the Cameroons.	199
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GREAT BRITAIN

CONVENTION BETWEEN THE UNITED STATES AND GREAT BRITAIN RELATING TO AMERICAN RIGHTS IN EAST AFRICA

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1925 Feb. 10	<i>Convention Between the United States of America and Great Britain</i> Relating to American rights in East Africa.	203

CONVENTION BETWEEN THE UNITED STATES AND GREAT BRITAIN RELATING TO AMERICAN RIGHTS IN TOGOLAND

1925 Feb. 10	<i>Convention Between the United States of America and Great Britain</i> Relating to American rights in Togoland.	209
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STATEMENT BY THE BRITISH GOVERNMENT REGARDING TREATMENT OF AMERICAN NATIONALS AND GOODS IN TERRITORIES UNDER BRITISH "C" MANDATES

1925 Mar. 16 (1111)	<i>From the Chargé in Great Britain</i> Foreign Office note, March 14 (text printed), quoting the assurance which the Dominion Governments are willing should be given with respect to treatment of U. S. nationals and goods in territories under British "C" mandates.	214
Apr. 25 (133)	<i>To the Chargé in Great Britain (tel.)</i> Note for the Foreign Office (text printed) acknowledging the British note of March 14 and intimating that U. S. views would be communicated later. Instructions to request information with respect to the reference, in the proviso of the assurance, to existing treaty engagements toward third parties.	216
June 12 (172)	<i>From the Ambassador in Great Britain (tel.)</i> Report that there are no existing treaty engagements toward third parties affecting the territories in question and that the proviso was inserted merely as a precaution of a general nature.	217

DELAY IN EXCHANGE OF RATIFICATIONS OF THE PALESTINE MANDATE CONVENTION PENDING ADJUSTMENT OF CASES INVOLVING THE CAPITULATORY RIGHTS OF AMERICANS

1925 Mar. 7 (94)	<i>From the Chargé in Great Britain (tel.)</i> Foreign Office inquiry whether the United States is prepared to proceed to the exchange of ratifications of the Palestine mandate convention.	217
Apr. 21 (631)	<i>To the Chargé in Great Britain</i> Instructions to inform the Foreign Office that the Department desires, before proceeding to the exchange of ratifications, to receive assurances regarding the adjustment of certain decisions against U. S. citizens rendered by the Palestine courts.	217

GREAT BRITAIN

DELAY IN EXCHANGE OF RATIFICATIONS OF THE PALESTINE MANDATE CONVENTION PENDING ADJUSTMENT OF CASES INVOLVING THE CAPITULATORY RIGHTS OF AMERICANS—Continued

Date and number	Subject	Page
1925 June 23 (68)	<i>To the Ambassador in Great Britain</i> Instructions to inform the Foreign Office that the Department desires to receive assurances also regarding the adjustment of increased customs dues imposed upon Mr. Sachs, an American citizen.	220
Sept. 29	<i>From the Counselor of Embassy in Great Britain</i> Transmission of a draft of the Foreign Office reply to the U. S. representations. Request for U. S. views.	224
Oct. 13 (224)	<i>To the Ambassador in Great Britain</i> Confirmation of authorization to proceed to the exchange of ratifications upon receipt, in official form, of the British reply. Note of acknowledgment for the Foreign Office (text printed).	225
Oct. 14 (431)	<i>From the Ambassador in Great Britain</i> Foreign Office note, October 13 (text printed), suggesting that, as regards the questions of principle which have arisen, each Government should take note of the view held by the other.	226
Nov. 24 (356)	<i>From the Ambassador in Great Britain (tel.)</i> Report that the Foreign Office reply to the Department's note of acknowledgment has been delayed by the inundation of work caused by the recent royal death.	229
Nov. 28 (349)	<i>To the Ambassador in Great Britain (tel.)</i> Instructions to inform the Foreign Office orally that the Department's note of acknowledgment requires no reply; and to endeavor to arrange prompt exchange of ratifications.	229
Dec. 3 (370)	<i>From the Ambassador in Great Britain (tel.)</i> Report that ratifications had been exchanged that afternoon.	230

DISSATISFACTION OF THE UNITED STATES WITH THE DECISION RELATING TO THE IRAQ MANDATE TAKEN BY THE COUNCIL OF THE LEAGUE OF NATIONS AT THE INSTANCE OF GREAT BRITAIN

1924 Oct. 21 (369)	<i>To the Ambassador in Great Britain (tel.)</i> Instructions to make oral inquiry concerning a resolution defining British responsibilities and rights in Iraq, adopted on September 27, 1924, by the Council of the League of Nations at the instance of the British Government. Information that the U. S. Government was neither consulted nor informed with respect to the proposed action.	230
Nov. 3 (449)	<i>From the Ambassador in Great Britain (tel.)</i> Report that the resolution of the League Council and the treaty of King Feisal together now constitute the British mandate, the earlier draft mandate never having been submitted to the League because of Iraq susceptibilities.	231

GREAT BRITAIN

DISSATISFACTION OF THE UNITED STATES WITH THE DECISION RELATING TO THE IRAQ MANDATE TAKEN BY THE COUNCIL OF THE LEAGUE OF NATIONS AT THE INSTANCE OF GREAT BRITAIN—Continued

Date and number	Subject	Page
1925 Apr. 20 (627)	<p><i>To the Chargé in Great Britain</i> Résumé of Department's position. Note for the Foreign Office (text printed) expressing U. S. views regarding the situation created by the League Council resolution and requesting to be informed whether the British Government is prepared to give assurances, to be embodied in a convention similar to the Palestine convention, for the regularization of the situation in Iraq in relation to the United States.</p>	231

CONTINUED NEGOTIATIONS TO ENSURE RECOGNITION OF THE PRINCIPLE OF THE OPEN DOOR IN THE TURKISH PETROLEUM COMPANY'S CONCESSION IN IRAQ

1925 Dec. 5 (357)	<p><i>To the Ambassador in Great Britain (tel.)</i> Instructions to make oral representations to the Foreign Office in the sense of the Department's telegram No. 331 of September 20, 1924, in view of the danger that the American group's negotiations to obtain participation in the Turkish Petroleum Co. on a fair basis will reach an impasse because of the failure of the other groups in the company to come to an agreement with C. S. Gulbenkian, minority stockholder.</p>	239
Dec. 9 (377)	<p><i>From the Ambassador in Great Britain (tel.)</i> Report that the Foreign Office is hopeful Gulbenkian and the British group will accept the proposal to arbitrate; and that the Foreign Office is urging this course on the British group, while the French Government is exercising similar pressure on the French group. Prime Minister's statement in the House of Commons (text printed) showing sympathy with the negotiations of the American group.</p>	240
Dec. 18	<p><i>From the French Embassy</i> Suggestion that the U. S. Government intervene to induce the American group to consent to the proposed arbitration, in order to prevent a break between the American group and the Turkish Petroleum Co.</p>	241
Dec. 18	<p><i>Memorandum by the Chief of the Division of Near Eastern Affairs</i> Record of French Ambassador's call on the Secretary of State, in which the Ambassador was informed of the present status of the negotiations. Record also of a telephone conversation with a Standard Oil Co. representative who stated that the American group could not properly be a party to the proposed arbitration since the questions involved concerned only the European partners and Gulbenkian.</p>	242
Dec. 19 (369)	<p><i>To the Ambassador in Great Britain (tel.)</i> Information that the American group has inquired whether anything further could be accomplished through diplomatic channels and, if not, whether there would be any objection should the American group enter into direct negotiations with Iraq or Turkey. Instructions to present the matter to the Foreign Minister on the basis of the Department's telegrams No. 331, September 20, 1924, and No. 357, December 5, 1925.</p>	243

GREAT BRITAIN

CONTINUED NEGOTIATIONS TO ENSURE RECOGNITION OF THE PRINCIPLE OF THE OPEN DOOR IN THE TURKISH PETROLEUM COMPANY'S CONCESSION IN IRAQ—Continued

Date and number	Subject	Page
1925 Dec. 21 (383)	<i>From the Ambassador in Great Britain (tel.)</i> Foreign Office assurance that British position regarding American participation is unchanged; intimation that American interests have been used as a cat's-paw in internecine war among British oil interests, but that this trouble is being terminated and under Government pressure arbitration is being set up; promise of a supplementary reply when result of arbitration is known.	244
Dec. 31 (372)	<i>To the Ambassador in Great Britain (tel.)</i> Instructions to expedite British supplementary reply and to endeavor to discuss matter with Foreign Minister at earliest opportunity.	245

EFFORTS BY THE UNITED STATES TO OBTAIN FOR AMERICAN RUBBER MANUFACTURERS RELIEF FROM BRITISH RESTRICTIONS ON THE EXPORT OF RAW RUBBER

1925 Undated [Rec'd July 17]	<i>From the Rubber Association of America, Inc.</i> An explanation of the Stevenson Plan for the restriction of rubber exported by British rubber-growing possessions, and of the effect of its operation upon America's crude rubber supply.	245
July 18 (232)	<i>To the Ambassador in Great Britain (tel.)</i> Instructions to press the Foreign Office informally for action to relieve the situation with respect to the high price and inadequacy of the U. S. supply of crude rubber, suggesting that the August 1 release be increased from 10 to 20 percent and that a new committee be created to examine the situation.	253
July 23 (213)	<i>From the Ambassador in Great Britain</i> An <i>aide-mémoire</i> sent to the Foreign Office, July 22 (text printed), proposing certain concessions with respect to the export of crude rubber.	254
Aug. 17 (272)	<i>From the Ambassador in Great Britain</i> Foreign Minister's note, August 15 (text printed), regretting inability to give effect to the U. S. proposals, except insofar as this has been done by measures already taken by the Government to ease the situation.	256
Sept. 5 (285)	<i>To the Ambassador in Great Britain (tel.)</i> Instructions to acknowledge the British note and to intimate that there may be further communication on the subject after the U. S. Government has considered the matter.	259
Nov. 9	<i>From the Ambassador in Great Britain</i> Inquiry whether the Department approves the suggestion, which the Ambassador has made informally to the British Colonial Secretary, that U. S. rubber interests be represented on the advisory committee for the Stevenson Plan.	259
Nov. 21 (343)	<i>To the Ambassador in Great Britain (tel.)</i> Instructions to make discreet inquiry regarding British attitude toward speculative character of the situation; also to inquire whether any relief measures have been determined upon.	261

GREAT BRITAIN

EFFORTS BY THE UNITED STATES TO OBTAIN FOR AMERICAN RUBBER MANUFACTURERS RELIEF FROM BRITISH RESTRICTIONS ON THE EXPORT OF RAW RUBBER—Continued

Date and number	Subject	Page
1925 Nov. 24 (357)	<i>From the Ambassador in Great Britain (tel.)</i> Foreign Minister's denial that it was his Government's attitude to take no remedial steps, asserting that a Cabinet committee and the Colonial Secretary were actively studying the situation; and his statement that the Rubber Association representatives were discussing a long-time contract with the proper authorities.	261
Nov. 24 (345)	<i>To the Ambassador in Great Britain (tel.)</i> Instructions to inform the Colonial Secretary that the United States is opposed to all monopolies in all countries and therefore cannot give recognition to this particular Government monopoly by being represented on the advisory committee or by having Americans represented on it.	262
Nov. 25 (358)	<i>From the Ambassador in Great Britain (tel.)</i> Report that, unknown to the Ambassador, negotiations have been going on for several months for the formation of an American syndicate to control the entire rubber supply.	263
Dec. 1 (352)	<i>To the Ambassador in Great Britain (tel.)</i> Instructions to inform the British officials that the U. S. Government, which has been wholly without information regarding the movement to form a syndicate, cannot countenance any plan to fix the price of rubber or any other commodity.	264
Dec. 4 (372)	<i>From the Ambassador in Great Britain (tel.)</i> Report of conversation with Foreign Minister, in which Foreign Minister stated that he, too, had known nothing about the negotiations for a syndicate and read an <i>aide-memoire</i> (text printed), not to be taken as final, since it was written before the Ambassador's representations.	265

ARRANGEMENT BETWEEN THE UNITED STATES AND GREAT BRITAIN AND NORTHERN IRELAND GRANTING RELIEF FROM DOUBLE INCOME TAX ON SHIPPING PROFITS

1924 Aug. 11	<i>To the British Ambassador</i> Conditions and limitations necessary in the proposed U. S.-British arrangement for the reciprocal exemption of shipping profits from income tax in order to satisfy the equivalent exemption provisions of section 213 (b) (8) of the 1921 and 1924 revenue acts.	267
Nov. 18 (1106)	<i>From the British Ambassador</i> British agreement with the conditions and limitations specified by the United States; information that accordingly an Order in Council has been promulgated, dated November 7, 1924, and that the Irish Free State in common with the other Dominions is not to be considered as affected by this measure.	269
Nov. 26 (1148)	<i>From the British Ambassador</i> Transmittal of copy of the British Order in Council of November 7, 1924 (text printed).	270

GREAT BRITAIN

ARRANGEMENT BETWEEN THE UNITED STATES AND GREAT BRITAIN AND NORTHERN IRELAND GRANTING RELIEF FROM DOUBLE INCOME TAX ON SHIPPING PROFITS—
Continued

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1925 Jan. 15	<i>To the British Ambassador</i> Inquiry as to the exact date from which the exemption is to be effective, in view of conflicting dates given in the Order in Council and in the note of transmittal.	271
Feb. 13 (159)	<i>From the British Ambassador</i> Information that the effective date of exemption is May 1, 1923, as provided in the third paragraph of the Order in Council.	272
Mar. 16	<i>To the British Ambassador</i> Conclusion that Great Britain satisfies the equivalent exemption provisions of section 213 (b) (8) of the 1921 and 1924 revenue acts; that reciprocal exemption shall be effective from May 1, 1923, and shall be applied with the understanding that the Irish Free State in common with the other British Dominions shall not be affected by the Order in Council.	272

ARRANGEMENT BETWEEN THE UNITED STATES, GREAT BRITAIN, CANADA, AND NEWFOUNDLAND REGULATING WIRELESS BROADCASTING BY SHIPS OFF THEIR COASTS

1925 Sept. 8 (796)	<i>From the British Chargé</i> British concurrence in U. S. opinion, as expressed in 1924, that a reciprocal arrangement for preventing interference by ships with wireless broadcasting can be concluded by an exchange of notes; statement of terms agreeable to the British Government.	273
Sept. 18 (823)	<i>From the British Chargé</i> Desire of the Canadian Government to conclude with the United States an agreement in terms similar to those set forth by the British Government.	274
Sept. 25	<i>To the British Chargé</i> Statement of agreement to the terms for the reciprocal arrangement as set forth by the British Government.	275
Sept. 29 (833)	<i>From the British Chargé</i> Information that the Government of Newfoundland also desires to conclude a similar agreement with the United States.	275
Oct. 1	<i>To the British Chargé</i> Statement of agreement with Canada for the prevention of interference by ships with wireless broadcasting.	276
Oct. 1	<i>To the British Chargé</i> Statement of agreement with Newfoundland for the prevention of interference by ships with wireless broadcasting.	276

GREAT BRITAIN

PROTEST AGAINST DISCRIMINATORY EMBARGO ON AMERICAN POTATO SHIPMENTS
INTO THE BRITISH ISLES

Date and number	Subject	Page
1924 Dec. 26 (1262)	<i>From the British Ambassador</i> Promulgation by the British Government of an order prohibiting the landing in England or Wales of potatoes grown in the United States, in order to prevent the introduction into Great Britain of the Colorado beetle.	277
Dec. 29 (488)	<i>To the Ambassador in Great Britain (tel.)</i> Instructions to ascertain whether Canadian potatoes are admitted into the British Isles, and if so to make representations to the Foreign Office against apparent discriminatory action of the British Government.	277
Dec. 30 (542)	<i>From the Ambassador in Great Britain (tel.)</i> Report that Canadian potatoes are not prohibited; that representations are being made in accordance with the Department's instructions.	278
1925 Jan. 3 (6)	<i>To the Ambassador in Great Britain (tel.)</i> Department's understanding that an embargo against American potatoes has just been imposed by the Irish Free State. Instructions to inform the consulate general at Dublin of U. S. attitude, if this understanding can be confirmed.	279
Jan. 5 (11)	<i>From the Ambassador in Great Britain (tel.)</i> Information that the Irish Free State embargo has been in effect since about November 1; that embargo for Northern Ireland went into effect January 3. Inquiry regarding representations to Northern Ireland. (Footnote: Instructions to the Ambassador on January 6 to make representations to Northern Ireland.)	279
Jan. 9	<i>From the Consul General at Dublin (tel.)</i> Information that the Irish Free State intends to refuse all licenses to both Canada and the United States until better reports concerning the Colorado beetle are received.	279
Jan. 30 (52)	<i>To the Ambassador in Great Britain (tel.)</i> Instructions to leave memorandum at the Foreign Office concerning the willingness of the Department of Agriculture to inspect potatoes for export and to give certificates of freedom from disease and infestation by the beetle; also to urge removal of the embargo as discriminatory and not justified by health considerations.	280
Feb. 2 (47)	<i>From the Ambassador in Great Britain (tel.)</i> Report of representations made and of Foreign Secretary's promise to take the matter up with the Minister of Agriculture.	280
Feb. 27 (85)	<i>From the Chargé in Great Britain (tel.)</i> Foreign Office note stating the British Government's inability to withdraw the embargo and confirming an order as of February 20 prohibiting Canadian potatoes also.	281

GREAT BRITAIN

ARRANGEMENTS FOR A VISIT BY AN AMERICAN FLEET TO AUSTRALIA AND NEW ZEALAND

Date and number	Subject	Page
1925 Mar. 19	<i>To the British Ambassador</i> Outline of tentative plans for a cruise of a portion of the U. S. Fleet to Australia and New Zealand during the coming summer. Desire of the Secretary of the Navy for any comments the Australian and New Zealand authorities may desire to make.	281
Apr. 3 (339)	<i>From the British Ambassador</i> Suggestions of the Australian Government with a view to facilitating the necessary landing and reception arrangements for the fleet.	282
Apr. 16	<i>To the British Ambassador</i> Outline of the itinerary which has been arranged with a view to meeting, as far as possible, the suggestions of the Australian and New Zealand authorities and at the same time having due regard to the requirements of the fleet.	283
July 24	<i>From the British Chargé (tel.)</i> Message for the President from the Governor General of Australia (text printed) expressing feelings of friendship and good will in welcoming the U. S. Fleet to Australia.	284
July 25	<i>To the Consul at Melbourne (tel.)</i> Message from the President to the Governor General (text printed) expressing appreciation for the latter's message sent through the British Embassy.	285

GREECE

LOAN BY ULEN & COMPANY TO THE GREEK GOVERNMENT UNDER A CONTRACT TO BUILD WATERWORKS FOR ATHENS AND THE PIRAEUS

1925 Apr. 15	<i>From the Greek Minister</i> Greek Government's conclusion of a waterworks-construction contract with Ulen & Co., for the execution of which the company must float a \$10,000,000 loan; request for U. S. assent to the assignment of certain security offered by Greece for the service of this loan, in view of the loan agreement of 1918 with the United States, France, and Great Britain.	286
May 5	<i>To the Greek Minister</i> Consent of the U. S. Government to the pledging of the securities offered for the service of the proposed loan, with full reservation of all questions with respect to the loan agreement of 1918.	287
May 7 (713)	<i>From the Greek Minister</i> Request for U. S. consent to a preliminary loan of \$1,000,000 for the immediate execution of provisional waterworks, the loan to be issued on the same conditions as the \$10,000,000 loan.	287
May 14	<i>From Ulen & Company</i> Request for U. S. approval of the placing of the two bond issues in the United States.	288

GREECE

LOAN BY ULEN & COMPANY TO THE GREEK GOVERNMENT UNDER A CONTRACT
TO BUILD WATERWORKS FOR ATHENS AND THE PIRAEUS—Continued

Date and number	Subject	Page
1925 May 23	<i>To the Greek Minister</i> Assertion that the United States will not oppose the pledging of the same securities for the preliminary loan of \$1,000,000 as offered for the \$10,000,000 loan.	288
May 25	<i>To Ulen & Company</i> U. S. approval of the placing of the two bond issues in the American market.	289
June 6 (176)	<i>To the Ambassador in Great Britain (tel.)</i> Instructions to make informal inquiries at the Foreign Office as to the British attitude in the matter of assent to the pledging by Greece of security in connection with the proposed loans. (Instructions to repeat to Paris, Rome, and Athens.)	290
June 6 (222)	<i>To the Ambassador in France (tel.)</i> Instructions to make inquiries at the French Foreign Office similar to those which the Ambassador at London is to make to the British Foreign Office.	292
July 6 (173)	<i>From the Ambassador in Great Britain</i> Information that the British Government has given its consent to the pledging by Greece of the security in question.	292
July 20 (389)	<i>From the Chargé in France (tel.)</i> French Government's consent to the Greek waterworks loan subject to the priority of the Greek share of the Ottoman public debt.	293
Sept. 29	<i>Memorandum by the Chief of the Division of Near Eastern Affairs</i> Record of a conversation with a representative of Ulen & Co., who expressed appreciation for the Department's aid in connection with the company's negotiations with the Greek Government.	293

HAITI

POSTPONEMENT OF LEGISLATIVE ELECTIONS IN HAITI

1925 Feb. 11	<i>President Borno to the High Commissioner in Haiti</i> Memorandum from President Borno to the High Commissioner (text printed) expressing views regarding the inadvisability of holding legislative elections in Haiti in January 1926. (Footnote: Document brought to the Department by the High Commissioner, who had been instructed to proceed to Washington for conference.)	294
Mar. 11	<i>To the High Commissioner in Haiti</i> Instructions to inform President Borno that the United States will interpose no objection if he should decide against calling legislative elections for January 1926. Department's desire that the Commissioner draft a plan for the reform of the existing electoral legislation in Haiti.	298
June 8 (261)	<i>To the High Commissioner in Haiti</i> Instructions to expedite preparation of drafts of legislation suitable to the requirements of Haiti, for approval by the Department and enactment into law by November 1 if possible.	299

HAITI

POSTPONEMENT OF LEGISLATIVE ELECTIONS IN HAITI—Continued

Date and number	Subject	Page
1925 July 8 (27)	<i>To the Chargé in Haiti (tel.)</i> Instructions to endeavor to furnish texts of all election laws now in force in Haiti, with explanation of their deficiencies, in order to facilitate Department's consideration of the High Commissioner's draft legislation. Inquiry as to the probable reaction in Haiti should the Department send an expert on electoral matters. (Footnote: High Commissioner's draft left at the Department on June 27.)	299
July 10 (37)	<i>From the Chargé in Haiti (tel.)</i> Opinion that the reaction in Haiti to the sending of an expert on electoral matters would be unfavorable. (Footnote: High Commissioner's agreement with opinion of the Chargé.)	300
July 18 (803)	<i>From the Chargé in Haiti</i> Memorandum prepared by the legal adviser to the High Commissioner, July 13 (text printed), explaining the deficiencies of the electoral laws now in force in Haiti.	300
Sept. 15 (659)	<i>To the Chargé in Haiti</i> List of suggested modifications for the existing electoral law, as it is now too late for enactment of new legislation before the January elections; instructions to discuss with President Borno the advisability of amending the law as suggested in time for use in the 1926 communal elections.	302
Oct. 1 (37)	<i>To the High Commissioner in Haiti (tel.)</i> Instructions to endeavor discreetly to ascertain if President Borno intends to make a public statement of his reasons for deferring elections. Inquiry whether, in the High Commissioner's opinion, such a statement issued before October 10 would have a beneficial effect, provided it referred to projected revision of legislation in time for the holding of national elections in 1928.	303
Oct. 6 (54)	<i>From the High Commissioner in Haiti (tel.)</i> Promise of President Borno to publish a statement along the lines suggested by the Department.	304
Oct. 10 (632)	<i>From the High Commissioner in Haiti</i> Circular letter of President Borno to the prefects of the Haitian <i>arrondissements</i> , published October 8 (text printed), concerning the question of the national elections.	304

SUPPORT BY THE UNITED STATES OF HAITIAN REFUSAL TO ARBITRATE WITH FRANCE THE QUESTION OF PAYING INTEREST IN GOLD ON GOLD LOAN OF 1910

1925 Mar. 31	<i>From the French Embassy</i> French Government's desire that the United States endeavor to induce the Haitian Government to reconsider its refusal to accept the proposition of the Bank of the Parisian Union to arbitrate the question of the redemption of the Haitian loan of 1910 in gold coin.	308
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HAITI

SUPPORT BY THE UNITED STATES OF HAITIAN REFUSAL TO ARBITRATE WITH FRANCE THE QUESTION OF PAYING INTEREST IN GOLD ON GOLD LOAN OF 1910—Continued

Date and number	Subject	Page
1925 May 7	<i>To the French Ambassador</i> U. S. inability to accede to the French Government's request, in view of certain reasons set forth as supporting the action of the Haitian Government.	310
May 7 (254)	<i>To the High Commissioner in Haiti</i> Information concerning U. S. refusal to grant the French Government's request.	314

HONDURAS

INAUGURATION OF THE NEW CONSTITUTIONAL GOVERNMENT IN HONDURAS AND THE RESUMPTION OF FORMAL RELATIONS WITH THE UNITED STATES

1925 Jan. 21 (11)	<i>From the Chargé in Honduras (tel.)</i> Information regarding the election of Paz Baraona as President of Honduras. Opinion as to desirability of receiving instructions to make an appropriate statement to the Provisional Government, with a view to its publication.	316
Jan. 22 (9)	<i>To the Chargé in Honduras (tel.)</i> Statement to be made public (text printed) expressing U. S. intention to resume formal relations with the Honduran Government upon the inauguration on February 1 of the new constitutional authorities.	316
Jan. 24 (13)	<i>From the Chargé in Honduras (tel.)</i> Request for instructions regarding participation in the inaugural ceremonies and the form of extending recognition to the new government.	317
Jan. 26 (11)	<i>To the Chargé in Honduras (tel.)</i> Instructions to participate in the inaugural ceremonies in such manner as is customary in Honduras, and to make the customary official calls.	317

ASSISTANCE BY THE UNITED STATES TO THE GOVERNMENT OF HONDURAS IN MAINTAINING POLITICAL STABILITY

1925 Jan. 10 (4)	<i>To the Chargé in Honduras (tel.)</i> Department's intention to take up with the War Department the Provisional President's request for supplies. Instructions to discuss with the President and the President-elect the plans for organizing the new military force. Inquiry as to whether Honduras actually needs as many machine guns and rifles as requested.	317
Jan. 13 (6)	<i>From the Chargé in Honduras (tel.)</i> Information as to the amount of supplies needed for the military force; Provisional President's assertion that the plans for organization will be furnished to the Legation soon.	318

HONDURAS

ASSISTANCE BY THE UNITED STATES TO THE GOVERNMENT OF HONDURAS IN
MAINTAINING POLITICAL STABILITY—Continued

Date and number	Subject	Page
1925 Jan. 17 (6)	<i>To the Chargé in Honduras (tel.)</i> Department's willingness to approve the sale of a reasonable quantity of arms to Honduras by commercial firms, if the authorities prefer, in order to avoid delay.	319
Jan. 21 (12)	<i>From the Chargé in Honduras (tel.)</i> Provisional President's assertion that he prefers, for the sake of economy, to buy the bulk of the arms from the U. S. Government rather than from private firms.	319
Jan. 23 (10)	<i>To the Chargé in Honduras (tel.)</i> Information that the Department has taken up the question with the War Department and will inform the Legation of results.	319
Feb. 6 (18)	<i>To the Chargé in Honduras (tel.)</i> Department's stipulation that Bográn (Honduran Minister to United States after March 9) be authorized by letter (1) to make a statement that his Government is planning to organize a constabulary and will consider appointing foreign instructors, and (2) to sign a contract with the War Department. Instructions to convey to the Department opinion regarding the authorization, as it is to be shown to the Chargé before transmittal to Bográn.	320
Feb. 14 (25)	<i>From the Minister in Honduras (tel.)</i> Information regarding the letter of authorization for Bográn; opinion of legal experts that the authorization is sufficient to bind the Government of Honduras without congressional approval, in case Honduras wishes to pledge consular revenues in New York in payment of the arms.	320
Mar. 11	<i>From the Secretary of War</i> Information that steps have been taken to complete the sale of guns and ammunition to Honduras; terms of the proposed contract to be signed by Bográn.	321
Mar. 18 (30)	<i>To the Chargé in Honduras (tel.)</i> Instructions to impress upon the Government the desirability of guarding against possibility of the arms shipment falling into hands of disaffected elements, in view of reports of imminent labor trouble and possible revolutionary disturbances on the north coast; also to inquire informally as to what steps are being taken to deal with the situation on the north coast.	322
Mar. 19 (39)	<i>From the Chargé in Honduras (tel.)</i> Report of relative order on the north coast following the President's sending of General Funes to the coast with suitable instructions.	322
Apr. 7 (47)	<i>From the Chargé in Honduras (tel.)</i> President's alarm by reports of movements of small armed bands along the frontier of Guatemala, and his desire to know the probable date of arrival of the arms from the United States.	323
Apr. 8 (39)	<i>To the Chargé in Honduras (tel.)</i> Information that Bográn or the Honduran consuls at New York and San Francisco can furnish exact information as to dates of shipments of the arms to Honduras. (Footnote: Shipments also licensed by the U. S. Government from private firms.)	323

HONDURAS

ASSISTANCE BY THE UNITED STATES TO THE GOVERNMENT OF HONDURAS IN
MAINTAINING POLITICAL STABILITY—Continued

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1925 Apr. 11 (27)	<i>To the Chargé in Guatemala (tel.)</i> U. S. hope, in view of recent raids along the frontiers of Honduras, that the Government of Guatemala will cooperate with Honduras in arresting and extraditing perpetrators of common-law crimes in the course of raids having no apparent political character. (Similar telegram to the legation in Nicaragua.)	323
Apr. 13 (26)	<i>From the Chargé in Guatemala (tel.)</i> Foreign Minister's assurance that his Government will do everything possible to stabilize conditions on the Honduran frontier.	324
Apr. 19	<i>From the Consul at Ceiba (tel.)</i> Telegram to the U. S. S. <i>Denver</i> (text printed) transmitting request of local authorities, in view of raids near Ceiba, for that ship to come at once and take measures for protection of American lives.	324
Apr. 20 (29)	<i>To the Minister in Guatemala (tel.)</i> Note to be presented to the Guatemalan Government (text printed) expressing U. S. concern over recent events along the frontier of Honduras and feeling that Guatemalan cooperation with Honduras would put an end to the serious disturbances. Instructions to state orally U. S. desire for a statement of the measures Guatemala has taken and will take to control the situation.	325
Apr. 22	<i>From the Consul at Ceiba (tel.)</i> Report that marines were on shore 30 hours and were withdrawn as soon as emergency had passed.	326
Apr. 24 (33)	<i>From the Minister in Guatemala (tel.)</i> Note from the Guatemalan Government, April 23 (text printed), stating that it feels assured that the frontier authorities have complied with orders to prevent every activity which might disturb the peace. Oral statement of President and Foreign Minister as to measures taken.	326
May 13 (167)	<i>To the Chargé in Salvador</i> Instructions to say informally that the United States feels that intervention of Salvador's armed forces to maintain peace in Honduran territory, as reports indicate may be contemplated, would set an undesirable precedent.	328
May 16 (154)	<i>To the Ambassador in Great Britain (tel.)</i> Reports indicating attempt of revolutionists in Honduras to get arms and ammunition from Belize, British Honduras. Instructions to express to the proper authorities the U. S. hope that measures will be taken to prevent the export of arms from Belize.	328
May 18 (148)	<i>From the Ambassador in Great Britain (tel.)</i> Foreign Office assurance that it will issue proper instructions.	329
May 27 (71)	<i>From the Chargé in Honduras (tel.)</i> Honduran Government's request for an intimation as to the advisability of requesting the expulsion from Guatemala of General Ferrera (Honduran exile), because of evidence of his involvement in recent disturbances in Honduras.	329

HONDURAS

ASSISTANCE BY THE UNITED STATES TO THE GOVERNMENT OF HONDURAS IN
MAINTAINING POLITICAL STABILITY—Continued

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1925 May 29 (35)	<i>To the Minister in Guatemala (tel.)</i> Instructions to inform President Orellana of U. S. Government's hope, in view of its conviction of the authenticity of the evidence against Ferrera, that Guatemala will take steps to terminate Ferrera's activities.	329
May 29 (55)	<i>To the Chargé in Honduras (tel.)</i> Opinion that Honduras would be justified in requesting Guatemala to take steps to terminate Ferrera's activities.	330
June 2	<i>To the Consul at Ceiba</i> Approval of consul's action in communicating with the U. S. S. Denver regarding the crisis at Ceiba; desire, however, that marines should not be landed without prior consultation with the Department unless the necessity for such action is absolutely clear.	330
June 3 (73)	<i>From the Chargé in Honduras (tel.)</i> Honduran Government's instructions to its Minister in Guatemala to make appropriate representations to Guatemala on the basis of evidence against Ferrera.	331
June 22 (61)	<i>To the Chargé in Honduras (tel.)</i> U. S. willingness to lend more active support to the Honduran Government in maintaining order only upon assurance of Honduran efforts in the matter and upon receipt of a formal request in writing indicating the kind of assistance desired.	332
June 24 (109)	<i>From the Chargé in Nicaragua (tel.)</i> Nicaraguan Government's declaration of a state of siege along a strip of territory adjacent to the Honduran boundary, in order to make for more effective control of lawlessness.	332
June 27 (42)	<i>To the Minister in Guatemala (tel.)</i> Department's receipt of report that Guatemalan President refuses to deport Ferrera on ground that he is now a Guatemalan citizen. Instructions to report immediately as to the accuracy of this report and the present situation in regard to Ferrera's deportation.	333
June 29 (62)	<i>From the Minister in Guatemala (tel.)</i> Apparent desire of Honduras for an order of expulsion or deportation of Ferrera from Guatemala, preferably at the instance of the United States; statement of Foreign Office that Ferrera as a Central American cannot be legally expelled.	333
July 1 (44)	<i>To the Minister in Guatemala (tel.)</i> Department's inability to understand Guatemala's failure to act, in view of her treaty obligations, to end the activities of Ferrera against Honduras. Instructions to put forth best efforts to convince the Guatemalan Government of the necessity of such action.	334
July 3 (65)	<i>From the Minister in Guatemala (tel.)</i> Information that Ferrera has left for Salvador carrying a Salvadoran visa.	335
July 6 (38)	<i>From the Chargé in Salvador (tel.)</i> Arrival of Ferrera in Salvador, and assurance of the Foreign Minister that he will be kept under strict surveillance.	335

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ASSISTANCE BY THE UNITED STATES TO THE GOVERNMENT OF HONDURAS IN
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1925 July 21 (67)	<i>From the Minister in Guatemala (tel.)</i> Nicaraguan suggestion for joint action of the Central American Governments to devise effective means for the reestablishment of peace in Honduras.	335
July 24 (49)	<i>To the Minister in Guatemala (tel.)</i> Department's feeling that if Honduras receives the friendly cooperation of its neighboring Governments in its present efforts to establish and maintain peace, no other joint action would appear necessary or advisable.	336
July 25 (49)	<i>From the Chargé in Salvador (tel.)</i> Inquiry from the Legation in Honduras as to possibility of deporting Ferrera to Panama; Legation's reply (text printed) stating that to demand his expulsion now would virtually indicate a lack of confidence in Salvador's good faith or its ability to maintain effective surveillance.	336
Dec. 22 (8)	<i>To the Minister in Honduras</i> Approval of the Chargé's statement, in reply to Honduran efforts to obtain U. S. marines to preserve order, that the problems of the Honduran Government should be solved by native statesmanship rather than by American arms.	337

GOOD OFFICES OF THE UNITED STATES IN PROMOTING A SETTLEMENT BETWEEN
THE GOVERNMENT OF HONDURAS AND THE BRITISH BONDHOLDERS

1925 Mar. 7 (36)	<i>From the Chargé in Honduras (tel.)</i> Information that the British consul is pressing the President of Honduras to sign and submit to Congress the 1923 agreement between Honduras and the Corporation of Foreign Bondholders of London for settlement of the external debt of Honduras. President's desire to know the Department's opinion as to the advisable course of action. (Footnote: Department's opinion, April 30, 1923, that a suitable settlement of the debt would be to the advantage of Honduras.)	338
Mar. 12	<i>From the British Embassy</i> Hope that the U. S. representative in Honduras will be instructed to support the British consul in urging the submission of the agreement to the Honduran Congress for ratification.	339
Mar. 14 (29)	<i>To the Chargé in Honduras (tel.)</i> Authorization to call the Government's attention to the fact that the conclusion of a suitable arrangement with the British bondholders might strengthen the credit of Honduras and thus facilitate the flotation of any subsequent loan.	340
Dec. 29 (88)	<i>To the Minister in Honduras (tel.)</i> Reports that an arrangement signed October 29 may not be approved by the Honduran Government; instructions to urge upon the Government informally and discreetly the great importance of reaching an agreement. (Footnote: Ratification of the arrangement by the Honduran Congress on March 9, 1926.)	340

HUNGARY

TREATY OF FRIENDSHIP, COMMERCE AND CONSULAR RIGHTS BETWEEN THE UNITED STATES AND HUNGARY, SIGNED JUNE 24, 1925

Date and number	Subject	Page
1925 June 24	<i>Treaty Between the United States of America and Hungary</i> Of friendship, commerce and consular rights.	341
June 24	<i>To the Hungarian Minister</i> Understanding that the consent of the U. S. Senate to the ratification of the treaty will be subject to certain reservations and understandings.	354
June 24	<i>From the Hungarian Minister</i> Understanding that the consent of the U. S. Senate to the ratification of the treaty will be subject to certain reservations and understandings.	355
1926 Sept. 4 (505)	<i>From the American Minister to the Hungarian Acting Minister of Foreign Affairs</i> U. S. statement that the exchange of ratifications is made on the condition that the ratification of the treaty is subject to the reservations and understandings as set forth in the exchange of notes of June 24, 1925.	356
Sept. 4 (71.515/ 5-1926)	<i>From the Hungarian Acting Minister of Foreign Affairs to the American Minister</i> Hungarian acceptance of the reservations and understandings contained in the American Minister's note of September 4, 1926.	357

ITALY

OBJECTION BY THE DEPARTMENT OF STATE TO PRIVATE LOANS TO ITALY PENDING SETTLEMENT OF ITALIAN DEBTS TO THE UNITED STATES GOVERNMENT

1925 May 26	<i>From Mr. Thomas W. Lamont of J. P. Morgan & Co.</i> Information regarding plans to proceed with a proposed banking credit of \$50,000,000 to Italian banks, the Italian Government undertaking to guarantee the credit.	358
May 29	<i>To Mr. Thomas W. Lamont of J. P. Morgan & Co.</i> Department's assertion that, while expressing no opinion on the transaction in question, it could not withhold objection to a public flotation of a Government loan unless Italy had taken steps toward the settlement of its indebtedness to the United States.	359
June 2 (85)	<i>From the Ambassador in Italy (tel.)</i> Information that the banking credit contract for \$50,000,000 was signed June 1.	359
Aug. 19 (101)	<i>To the Ambassador in Italy (tel.)</i> Italian Ambassador's inquiry as to U. S. attitude toward Italy's desire to borrow money in the United States for industrial development and stabilization of the Italian exchange; Secretary's statement in reply that the position of the U. S. Government has not changed.	360

ITALY

OBJECTION BY THE DEPARTMENT OF STATE TO PRIVATE LOANS TO ITALY PENDING SETTLEMENT OF ITALIAN DEBTS TO THE UNITED STATES GOVERNMENT—CON.

Date and number	Subject	Page
1925 Aug. 21 (352)	<i>To the Ambassador in Italy</i> U. S. unfavorable attitude conveyed to representative of J. P. Morgan & Co., who telephoned the Secretary in connection with reports that Blair & Co. were negotiating for a \$25,000,000 loan to the Italian State Railways.	360
Aug. 31 (132)	<i>From the Ambassador in Italy (tel.)</i> Report of negotiations by representative of Blair & Co. for the floating of Italian industrial securities in New York; Ambassador's suggestion that the firm consult the Department before proceeding further.	361
Sept. 1	<i>To Blair & Co., Incorporated</i> Department's statement that it would not view with favor at the present time the flotation of Italian industrial securities in the United States.	362
Sept. 1 (106)	<i>To the Ambassador in Italy (tel.)</i> Information that the Department's unfavorable attitude has been conveyed to Blair & Co.	362
Nov. 18	<i>From J. P. Morgan & Co.</i> Confirmation of telephone conversation regarding the issuance of a \$100,000,000 loan to Italy for stabilization purposes; information that the contract was executed November 18. (Footnote: Agreement for settlement of the Italian debt to the United States reached at Washington on November 14.)	362
Nov. 23	<i>To J. P. Morgan & Co.</i> No objection, in the light of information before the Department, to the flotation of the \$100,000,000 bond issue in the American market.	363

EXPULSION FROM ITALY OF GEORGE SELDES, CORRESPONDENT OF THE "CHICAGO TRIBUNE"

1925 July 22 (119)	<i>From the Ambassador in Italy (tel.)</i> Foreign Office note stating that on account of reports recently sent to the <i>Chicago Tribune</i> by George Seldes, correspondent at Rome, he is to be considered <i>persona non grata</i> in Italy and requesting the Ambassador to inform him that it would be inadvisable for him to remain.	363
July 25 (91)	<i>To the Ambassador in Italy (tel.)</i> Instructions to urge Foreign Office to delay action in the case until a thorough investigation has been made, and to express the hope that no violent measures may be resorted to.	364
July 27 (121)	<i>From the Ambassador in Italy (tel.)</i> Italian Government's decision that Seldes must leave within 10 days from July 25. Seldes' statement that he wishes a written notice from the police or some governmental agency, upon receipt of which he will go.	364
July 28 (542)	<i>From the Ambassador in Italy</i> Résumé of circumstances surrounding the expulsion of Seldes. Information that he will leave Italy on July 29.	364

LIBERIA

NEGOTIATIONS CONCERNING THE FIRESTONE RUBBER CONCESSION AND FINANCE CORPORATION OF AMERICA LOAN

Date and number	Subject	Page
1924 Apr. 8	<i>From the Chief of the Division of Western European Affairs</i> Conversation with Mr. Hines, of the Firestone Co., who reports that Mr. Firestone plans to draft a suggestion for a loan and make a proposal to Liberia whereby the money would be used to build up the country.	367
June 5	<i>From Mr. W. D. Hines to the Liberian Secretary of State</i> Transmittal of proposals, on behalf of Mr. Firestone, for the leasing of land and the establishment of certain public improvements in Liberia.	367
June 18 (471-L)	<i>From the Liberian Secretary of State to Mr. W. D. Hines</i> Transmittal of drafts of formal agreements covering the Firestone proposals.	368
June 19	<i>From Mr. W. D. Hines to the Liberian Secretary of State</i> Submission of minor changes which it is felt would make the agreements more acceptable.	368
June 19 (476-L)	<i>From the Liberian Secretary of State to Mr. W. D. Hines</i> Transmittal of the three draft agreements amended in accordance with the suggestions made by Mr. Hines (texts printed): (1) Concerning the lease of Mount Barclay Rubber Plantation; (2) concerning the lease of one million acres for the development of rubber growing; (3) concerning the improvement of the harbor of Monrovia.	369
June 19	<i>From Mr. W. D. Hines to the Liberian Secretary of State</i> Information that the draft agreements appear to be in accordance with the understandings arrived at in conferences between the Liberian officials and the Firestone representatives in Liberia, and that Mr. Hines is planning to return with them to America immediately.	379
July 8	<i>Memorandum by the Assistant Secretary of State</i> Conversation with Firestone Co. representatives who called to discuss possibilities of securing a rubber concession in Liberia; inquiry by the representatives as to U. S. attitude in connection with a proposed loan to Liberia through the company's fiscal agents.	379
Undated [Rec'd Oct. 29]	<i>From the General Receiver of Customs of Liberia (tel.)</i> Inquiry if there is any way of obtaining indication of Firestone decision in time for the December legislature.	382
Nov. 13	<i>Memorandum by the Assistant Chief of the Division of Western European Affairs</i> Mr. Hines' statement that Mr. Firestone had decided to proceed immediately with the concession for a rubber plantation and take up the loan question subsequently. Impression that Mr. Firestone will make no considerable investment, however, until he is certain that financial and political safeguards will be provided to assure the continuation of Liberia as a political entity.	382
Dec. 10	<i>From Mr. Harvey S. Firestone</i> Submission of draft agreements covering the proposed enterprise in Liberia, with request for Department's advice as to whether they contain anything which would prevent U. S. moral support and approval.	384

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NEGOTIATIONS CONCERNING THE FIRESTONE RUBBER CONCESSION AND FINANCE CORPORATION OF AMERICA LOAN—Continued

Date and number	Subject	Page
1924 Dec. 12	<i>Memorandum by the Assistant Secretary of State</i> Record of a conversation between the Secretary and Firestone Co. representatives respecting the proposed rubber concession.	385
Dec. 12	<i>Memorandum by the Economic Adviser</i> Discussion between the Assistant Secretary and Firestone Co. representatives regarding the terms of the proposed agreements. Department's feeling that a briefer term than the 99-year period specified in Agreement No. 2 and a more flexible arrangement as to fiscal relations between the company and Liberia might be desirable.	387
Undated [Rec'd Dec. 18]	<i>Draft Agreement Number 1 Between the Government of Liberia and Harvey S. Firestone</i> Concerning the lease of Mount Barclay Rubber Plantation.	389
Undated [Rec'd Dec. 18]	<i>Draft Agreement Number 2 Between the Government of Liberia and Harvey S. Firestone</i> Concerning the lease of one million acres for the development of rubber growing.	394
Undated [Rec'd Dec. 18]	<i>Draft Agreement Number 3 Between the Government of Liberia and Harvey S. Firestone</i> Concerning the improvement of the harbor of Monrovia.	401
Dec. 22	<i>To Mr. Harvey S. Firestone</i> Information that there appears to be nothing in the contracts submitted which is opposed to the interests or policies of the U. S. Government or which would preclude the Department's giving appropriate moral support.	403
1925 Jan. 7 (1)	<i>To the Clerk in Charge of the Legation at Monrovia (tel.)</i> Information that Mr. Firestone is telegraphing his agents in Liberia and also President King that the contracts are on the way and he hopes legislative action may be taken as soon as they arrive.	404
Jan. 13	<i>An Act Passed by the Liberian Legislature</i> Approving the agreements entered into by the Liberian Government and Harvey S. Firestone. (Footnote: Namely, the draft agreements arrived at in June 1924 in negotiations between Mr. Hines and the Liberian Government, and not identical with those submitted to the Department in December 1924 and taken to Liberia in February 1925.)	405
Feb. 16 (4)	<i>From the Clerk in Charge of the Legation at Monrovia (tel.)</i> For Harrison and Castle, of the State Department, from De la Rue, General Receiver of Customs of Liberia: Arrival of Firestone representative on February 15 with signed agreements. (Footnote: Namely, the draft agreements submitted to the Department in December 1924.)	405

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NEGOTIATIONS CONCERNING THE FIRESTONE RUBBER CONCESSION AND FINANCE CORPORATION OF AMERICA LOAN—Continued

Date and number	Subject	Page
1925 Feb. 23 (5)	<i>From the Clerk in Charge of the Legation at Monrovia (tel.)</i> For Harrison and Castle, from De la Rue: Information that the Cabinet objects to loan negotiation clause being included in agreements submitted by Firestone. Belief of Liberian Secretary of State that authorization for loan agreement with modifications might be entered into as a separate document and approved by the legislature at the same time.	406
Feb. 25 (6)	<i>From the Clerk in Charge of the Legation at Monrovia (tel.)</i> For Harrison and Castle, from De la Rue: Request for statistical information on rubber companies' payments to governments for plantation privileges or as export charges in order to determine fairness of Firestone modifying terms.	406
Mar. 4	<i>From the General Receiver of Customs of Liberia</i> Opinion of the majority of the Cabinet that it would be a more proper procedure if the loan agreement provisions were made a part of a separate agreement. Transmittal of copy of De la Rue's opinion as Financial Adviser, dated March 2 (text printed), showing his attitude in the whole matter.	406
Mar. 5 (3)	<i>To the Clerk in Charge of the Legation at Monrovia (tel.)</i> Department's disinclination to pass on projected loan before the matter is submitted through the usual channels by U. S. bankers interested.	416
Mar. 12	<i>From Mr. Harvey S. Firestone</i> Desire that no change be made in the loan agreement and hope that the Secretary will urge U. S. representatives in Liberia to do everything possible to have the agreement accepted as it is.	417
Mar. 17 (4)	<i>To the Clerk in Charge of the Legation at Monrovia (tel.)</i> Instructions to inform De la Rue that Mr. Firestone is not willing that any change be made in the loan agreement.	418
Mar. 28	<i>To the General Receiver of Customs of Liberia</i> Transmittal of statistical information as requested in the Legation's telegram No. 6, February 25.	419
Apr. 10 (7)	<i>To the Clerk in Charge of the Legation at Monrovia (tel.)</i> Request to be informed promptly when contracts are ratified, as Mr. Firestone is anxious to begin immediately large-scale operations which will be of advantage to Liberia.	420
Apr. 24 (11)	<i>From the Minister in Liberia (tel.)</i> Summary of Department's attitude as presented to the Liberian Government; inquiry if any expression can be sent by the Department which would demonstrate its interest and moral support, involving practical assistance in working the rehabilitation of Liberia by the bankers' loan through Firestone.	420
Apr. 27	<i>From the Liberian Secretary of State to Mr. W. D. Hines</i> Liberian Government's opinion that the agreements, with the exception of certain specified details, furnish acceptable bases for its endorsement of the Firestone operations in Liberia.	421

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NEGOTIATIONS CONCERNING THE FIRESTONE RUBBER CONCESSION AND FINANCE CORPORATION OF AMERICA LOAN—Continued

Date and number	Subject	Page
1925 Apr. 28 (432/D)	<i>From the Liberian Secretary of State to the American Minister</i> Presentation of views of the Liberian Government, as set forth in letter of April 27 to Mr. Hines, for transmittal to the Department, in view of the interest taken by the Department in the Firestone proposals to Liberia.	424
Apr. 30	<i>From the Secretary to the President</i> Telegram from Mr. Firestone to President Coolidge (text printed) telling of difficulty in securing Liberia's signature to the agreements and of his request for the assistance of Mr. Castle, of the State Department.	426
May 1 (8)	<i>To the Minister in Liberia (tel.)</i> Reiteration of position that a loan by the United States is impossible and that the Department must reserve an expression of views until specific terms of the loan contract have been submitted to it. Authorization to inform the Liberian Government of Department's sympathetic interest in the conclusion of the Firestone contracts.	426
May 2 (Consular No. 146)	<i>From the Minister Resident and Consul General at Monrovia</i> Information regarding the Liberian Government's objections to arranging a loan with any company doing business in Liberia; list of the fundamental reasons why Liberia cannot sign the agreements in their present form.	427
May 11	<i>From Mr. Harvey S. Firestone to Mr. W. D. Hines (tel.)</i> Instructions to cable outline of proposed changes leaving agreements intact; assertion that loan is impossible unless Liberian finances are administered by parties making the loan.	429
May 13 (13)	<i>From the Minister in Liberia (tel.)</i> Liberian Government's explanation of its position (text printed), including its reasons for urging that the loan question be taken up in a separate agreement, but asserting its willingness, however, if the United States considers it advisable, to authorize Mr. Firestone to begin preliminary negotiations for the loan.	430
May 22 (14)	<i>From the Minister in Liberia (tel.)</i> Transmittal of additional explanation of the Liberian Government's point of view (text printed).	431
May 22 (10)	<i>To the Minister in Liberia (tel.)</i> Statement for transmittal to the Foreign Minister (text printed), indicating U. S. appreciation of Liberian position regarding the loan question, but setting forth certain assurances whereby the Liberian interests would appear to be thoroughly safeguarded in the Firestone contracts.	432
May 26	<i>From Mr. Harvey S. Firestone to the Vice President of the National City Bank of New York (tel.)</i> Suggestion of a cable to be sent to De la Rue (text printed), containing opinion that Mr. Firestone would agree to modify his agreement as to terms of lease and change loan agreement to read, "Liberian Government to accept loan of two to five million on terms to be agreed on."	433

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NEGOTIATIONS CONCERNING THE FIRESTONE RUBBER CONCESSION AND FINANCE CORPORATION OF AMERICA LOAN—Continued

Date and number	Subject	Page
1925 May 28 (521/D)	<i>From the Liberian Secretary of State to the American Minister</i> Acceptance of assurances given in Department's telegram No. 10, May 22, and willingness to enter into the Firestone agreements on the understanding that the detailed terms of the loan agreement will be worked out in subsequent negotiations and that the money will not be advanced by Mr. Firestone or any corporation he might form.	433
May 29	<i>From Mr. Harvey S. Firestone (tel.)</i> Cable from Mr. Hines (text printed) stating belief that a continued firm stand will assure Liberian acceptance of satisfactory loan terms.	437
June 5 (Diplomatic No. 274)	<i>From the Minister in Liberia</i> Report on status of negotiations regarding the Firestone contracts.	437
June 11 (20)	<i>From the Minister in Liberia (tel.)</i> For Castle: Liberian Government's suggestion to send its Secretary of State to America to arrange the loan and to summon the legislature to ratify it after his return to Liberia.	442
June 12	<i>From Mr. Harvey S. Firestone to President King of Liberia</i> Opinion that the modifications suggested by Liberia, as set forth in a cable from Mr. Ross, Firestone representative, are only technical wording, with exception of the food clause, and would not change the carrying out of the agreements.	442
June 12 (12)	<i>To the Minister in Liberia (tel.)</i> Mr. Firestone's decision to change the loan clause to conform to "Liberian legal requirements," thus providing for eventual ratification following negotiation of the loan agreement in the United States.	443
June 12 (13)	<i>To the Minister in Liberia (tel.)</i> Understanding that the signature of the agreements as modified is to be expected at any moment. Department's invitation, at the wish of the interested parties, to the Liberian Government to send a commission to the United States to arrange a bankers' loan.	443
June 14 (21)	<i>From the Minister in Liberia (tel.)</i> List of minor modifications desired by Liberia and approved by Mr. Ross. Advice that Mr. Firestone empower Ross to sign the agreement, whereupon De la Rue and the commission will leave for America.	444
June 15 (22)	<i>From the Minister in Liberia (tel.)</i> Mr. Firestone's cable to Ross ordering agreements resubmitted but refusing to accept Liberia's alterations; Minister's advice to Ross to take no action pending reply to Legation's telegram No. 21, June 14.	445
June 19 (24)	<i>From the Minister in Liberia (tel.)</i> Liberian acceptance of U. S. invitation to send officials to arrange bankers' loan.	445

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NEGOTIATIONS CONCERNING THE FIRESTONE RUBBER CONCESSION AND FINANCE CORPORATION OF AMERICA LOAN—Continued

Date and number	Subject	Page
1925 June 20 (14)	<i>To the Minister in Liberia (tel.)</i> Understanding that Mr. Ross has been authorized to agree to the modifications desired by Liberia. Inquiry as to the probable make-up of the commission which will come to the United States and date of arrival.	445
June 23	<i>From Mr. D. A. Ross to Mr. Harvey S. Firestone (tel.)</i> Further alterations by the Liberian Government, with assertion that it understood that Mr. Firestone would accept all modifications required by it.	446
June 26 (15)	<i>To the Minister in Liberia (tel.)</i> Assertion that Liberia's action in proposing further modifications is result of grave misunderstanding of Mr. Firestone's instructions to Ross and has brought about serious possibility of Firestone's withdrawal. Instructions to use best efforts to remove misunderstanding and facilitate prompt conclusion of negotiations.	446
June 27 (25)	<i>From the Minister in Liberia (tel.)</i> Receipt from Liberian authorities of signed copies of the agreements for transmittal through the Department to Mr. Firestone. Information that the Liberian Secretary of State is proceeding to America with full power to settle all complications which may arise. (Footnote: Arrival of the Liberian Secretary in New York August 12; departure September 26.)	447
July 15 (19)	<i>To the Minister in Liberia (tel.)</i> Personal message from Mr. Firestone to President King (text printed) suggesting that a special session of the legislature be called to insure prompt consideration of the proposed loan.	447
July 23 (29)	<i>From the Minister in Liberia (tel.)</i> President King's feeling that he must have the Liberian Secretary of State's report and the actual signed documents in hand before calling for a special session of the legislature.	448
Sept. 1	<i>From the General Receiver of Customs of Liberia</i> Request for the personal opinion of Mr. Castle in regard to certain points raised in connection with the loan negotiations.	448
Sept. 17	<i>Agreement Number 1 Between the Government of Liberia and the Firestone Plantations Company</i> Concerning the lease of Mount Barclay Rubber Plantation.	450
Sept. 16	<i>Agreement Number 2 Between the Government of Liberia and the Firestone Plantations Company</i> Concerning the lease of lands not to exceed one million acres for the development of rubber growing.	454
Sept. 16	<i>Agreement Number 3 Between the Government of Liberia and the Firestone Plantations Company</i> Concerning the improvement of the harbor of Monrovia.	461
Undated	<i>Draft Loan Agreement Between the Government of Liberia, the Finance Corporation of America, and the National City Bank of New York</i> To provide for the adjustment of Liberia's outstanding indebtedness and to arrange for certain public works and improvements in the country.	463

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NEGOTIATIONS CONCERNING THE FIRESTONE RUBBER CONCESSION AND FINANCE CORPORATION OF AMERICA LOAN—Continued

Date and number	Subject	Page
1925 Sept. 25	<i>From the Liberian Secretary of State</i> Expression of appreciation for sympathetic and courteous consideration received while in the United States.	484
Oct. 7 (877)	<i>From the British Chargé</i> British Government's attitude regarding the alleged possibility, as a condition of the proposed loan agreement, that a nominee of the United States should be placed in control of Liberian customs.	484
Undated	<i>Memorandum by the Secretary of State of an Interview With the British Ambassador, October 19, 1925</i> Secretary's explanation of U. S. attitude in Liberia as to the open-door policy.	485
Oct. 28 (398)	<i>To the Ambassador in France (tel.)</i> Understanding that the Liberian Secretary of State, now in Paris, is expecting direct word from the Department containing approval of the tentative loan terms; instructions to inform him that it will be necessary to follow the usual procedure with regard to the flotation of foreign loans, that is, when the final terms are submitted to the Department, it will indicate to the bankers whether or not it finds any basis for objection.	485
Oct. 31	<i>To Mr. Harvey S. Firestone</i> Request for further information in connection with the terms of lease in the recent agreements made with Liberia; reference also, in connection with the loan provisions, to the Department's policy regarding the flotation of foreign loans.	486
Nov. 2 (534)	<i>From the Ambassador in France (tel.)</i> Information that the Liberian Secretary of State says he understands fully the Department's policy regarding the flotation of foreign loans in the United States.	488
Nov. 23	<i>From Mr. Harvey S. Firestone</i> Information in accord with Department's request of October 31.	488
[Dec. 19]	<i>From Mr. Harvey S. Firestone to President King of Liberia (tel.)</i> Assurance that the press reports are erroneous which state that the Firestone Co. expects employment of 30,000 Americans to supervise plantations in Liberia.	489
Dec. 29 (Diplomatic No. 318)	<i>From the Secretary of Legation at Monrovia</i> Information that many points have been raised and contrary views expressed during the Liberian consideration of the loan agreement; transmittal of proposed Liberian amendments to the draft agreement (text printed) and a letter from De la Rue to the U. S. Minister, December 28 (text printed), stating that Liberia has requested an extension of time for consideration of the agreement.	489

LIBERIA

REQUEST BY LIBERIA FOR THE GOOD OFFICES OF THE UNITED STATES IN THE
BOUNDARY DISPUTE WITH FRANCE

Date and number	Subject	Page
1925 July 2 (Diplo- matic No. 285)	<i>From the Minister in Liberia</i> Transmittal of Liberian note protesting against certain alleged aggressive acts of France upon the peace and territory of Liberia and requesting that the good offices of the United States be exercised in procuring a peaceful adjustment of the situation.	495
Oct. 13 (257)	<i>To the Minister in Liberia</i> Note to be handed to the Liberian Secretary of State (text printed), expressing U. S. willingness to exercise its good offices as requested, and containing suggestions for certain action on the part of the Liberian Government. Instructions to inform the Department of any action taken by Liberia.	496

LITHUANIA

AGREEMENT BETWEEN THE UNITED STATES AND LITHUANIA ACCORDING MUTUAL
UNCONDITIONAL MOST-FAVORED-NATION TREATMENT IN CUSTOMS MATTERS,
SIGNED DECEMBER 23, 1925

1925 Dec. 23	<i>To the Lithuanian Minister</i> Understanding of agreement reached through conversations for mutual unconditional most-favored-nation treatment in customs matters.	500
Dec. 23	<i>From the Lithuanian Minister</i> Understanding of agreement reached through conversations for mutual unconditional most-favored-nation treatment in customs matters.	501
1926 July 9 (2334)	<i>From the Lithuanian Minister</i> Lithuanian ratification on March 24, 1926, of the agreement concluded by exchange of notes signed December 23, 1925.	503

MEXICO

CONVENTIONS BETWEEN THE UNITED STATES AND MEXICO, SIGNED DECEMBER
23, 1925: (1) CONVENTION TO PREVENT SMUGGLING; (2) SUPPLEMENTARY
EXTRADITION CONVENTION

1924 Dec. 17 (89)	<i>To the Ambassador in Mexico</i> Instructions to take up with the Mexican Government, with a view to arranging for an informal preliminary conference, the matter of the desirability of negotiating with the United States a convention to prevent smuggling and also a supplementary extradition convention to cover offenses against the narcotic laws.	504
1925 Jan. 30 (36)	<i>From the Chargé in Mexico (tel.)</i> Ambassador's oral understanding with the Foreign Minister regarding Mexican willingness to negotiate convention, and his formal note inquiring as to Mexican desires in connection with the holding of the preliminary conference to discuss suppression of illicit traffic in narcotics and to draw up draft conventions.	505

MEXICO

CONVENTIONS BETWEEN THE UNITED STATES AND MEXICO, SIGNED DECEMBER 23, 1925: (1) CONVENTION TO PREVENT SMUGGLING; (2) SUPPLEMENTARY EXTRADITION CONVENTION—Continued

Date and number	Subject	Page
1925 Feb. 27 (39)	<i>To the Ambassador in Mexico (tel.)</i> Instructions to sound the Mexican Government regarding the desirability of signing promptly an extradition convention covering narcotic cases so that it can be approved during the brief session of the Senate after March 4.	506
Feb. 28 (49)	<i>From the Ambassador in Mexico (tel.)</i> Information that the Foreign Secretary will consult the appropriate authorities concerning the possibility of arrangements for immediate signature of an extradition convention. Mexican Government's note requesting names of the American experts to meet the Mexicans at a preliminary conference to formulate a smuggling convention.	506
Mar. 21 (62)	<i>To the Ambassador in Mexico (tel.)</i> Personnel of the American commission to the preliminary conference. Instructions to suggest to the Mexican Government that the discussion should include the question of smuggling of aliens across the frontier in contravention of the immigration laws of either country.	507
Mar. 28 (70)	<i>To the Ambassador in Mexico (tel.)</i> Instructions to ascertain informally if it would be agreeable to Mexico to hold the conference at El Paso on April 20, and if so, to extend formal invitation on behalf of United States.	507
Mar. 31 (73)	<i>From the Ambassador in Mexico (tel.)</i> Foreign Secretary's belief that it would be acceptable to Mexico to hold the conference at El Paso on April 20; also to name a representative to discuss smuggling of aliens, as previously suggested by the United States. (Footnote: Date of the conference later set for May 15, at Mexico's request.)	508
Apr. 18 (82)	<i>From the Ambassador in Mexico (tel.)</i> Personnel of the Mexican delegation to the El Paso conference.	508
May 1	<i>From the Chief of the Division of Mexican Affairs to the Assistant Solicitor</i> Information that the Mexican Embassy in Washington, upon instructions from the Mexican Foreign Office, has requested the proposed agenda of the conference. Inquiry if this information can be supplied.	509
May 5	<i>Memorandum by the Chief of the Division of Mexican Affairs</i> Proposed agenda of the conference communicated to the Mexican Embassy.	509
Dec. 23	<i>Convention Between the United States of America and Mexico</i> To prevent smuggling operations along the boundary between the two countries.	510
Dec. 23	<i>Supplementary Extradition Convention Between the United States of America and Mexico</i> Covering crimes and offenses against the narcotic laws of either country and the laws regarding contraband.	515

MEXICO

PUBLIC STATEMENT BY THE SECRETARY OF STATE THAT THE UNITED STATES
COULD NOT ACQUIESCE IN CONTINUED VIOLATIONS OF THE RIGHTS OF AMERICANS
IN MEXICO

Date and number	Subject	Page
1925 June 12 (132)	<i>To the Chargé in Mexico (tel.)</i> Statement made to the press by the Secretary (text printed), setting forth U. S. policy to continue to support the Government in Mexico only so long as it protects American lives and rights and complies with its international obligations.	517
Undated	<i>Statement Issued to the Press by President Calles on June 14, 1925</i> Replying to the U. S. Secretary's press statement.	518
June 15 (133)	<i>To the Chargé in Mexico (tel.)</i> Information that the Secretary's statement will be allowed to stand, and that the Department will make no supplementary comment for publication and does not consider making a retort to the reply of President Calles.	520

REPRESENTATIONS BY THE UNITED STATES AGAINST MEXICAN AGRARIAN AND
PETROLEUM LEGISLATION

1925 Oct. 2 (1178)	<i>From the Chargé in Mexico</i> Transmittal of newspaper clipping which contains Mexican President's message to Congress of September 30 covering the proposed alien land bill (text printed) to regulate section 1 of article 27 of the Mexican Constitution.	521
Oct. 22 (205)	<i>From the Ambassador in Mexico (tel.)</i> Press announcement that Senate committee has favorably reported the alien land bill. Recommendation that the Department enter protest; request for instructions.	523
Oct. 29 (240)	<i>To the Ambassador in Mexico (tel.)</i> Inadvisability of sending formal note at present. Instructions to obtain an interview with the Foreign Minister and point out to him those provisions in the bill which if applied retroactively would affect American vested interests.	523
Nov. 5 (223)	<i>From the Ambassador in Mexico (tel.)</i> Information obtained in interview with the Foreign Minister regarding the general purport of the bill and certain specific questions raised.	525
Nov. 6	<i>From the British Ambassador</i> Information that the British representative in Mexico City has been instructed to endeavor to secure amendment or withdrawal of clauses in the bill relating to foreigners, which, if given retroactive force, would have a prejudicial effect on the position of British subjects holding investments in industrial concerns in Mexico.	527
Nov. 13 (254)	<i>To the Ambassador in Mexico (tel.)</i> Message to be read to the Foreign Minister (text printed) expressing the hope that nothing will be done which will tend to affect the good relations between Mexico and the United States. (Footnote: Information that <i>aide-mémoire</i> embodying the message was presented on November 17.)	527

MEXICO

REPRESENTATIONS BY THE UNITED STATES AGAINST MEXICAN AGRARIAN AND
PETROLEUM LEGISLATION—Continued

Date and number	Subject	Page
1925 Nov. 20 (245)	<i>From the Ambassador in Mexico (tel.)</i> Opinion that the bill will be passed in the near future. Suggestion that the Department formulate its observations on the bill and send instructions, with a view to forestalling the possibility of Mexico claiming later that the United States never made a specific protest against the bill.	529
Nov. 25 (264)	<i>To the Ambassador in Mexico (tel.)</i> Instructions for further representations to be based on an <i>aide-mémoire</i> (text printed) setting forth the apprehension with which the bill is viewed by American holders of property rights in Mexico because of the features which appear to be retroactive and confiscatory. (Footnote: Information that <i>aide-mémoire</i> was presented on November 27.)	529
Nov. 27 (1415)	<i>From the Ambassador in Mexico</i> Transmittal of a bill regulating the petroleum industry in Mexico, passed by the Chamber of Deputies November 26 (text printed).	531
Nov. 30	<i>From the Mexican Ambassador</i> Note from the Foreign Minister, November 26 (text printed), containing certain explanations in reply to the U. S. <i>aide-mémoire</i> of November 17.	537
Dec. 8 (1473)	<i>From the Ambassador in Mexico</i> Memorandum from the Foreign Minister, December 5 (text printed), replying to the U. S. <i>aide-mémoire</i> of November 27 and setting forth reasons for the Mexican contention that the law is neither retroactive nor confiscatory.	540
Dec. 12 (274)	<i>To the Ambassador in Mexico (tel.)</i> Substance of a conversation with the Mexican Ambassador (text printed), to be used, unless deemed inadvisable, as a basis of a conversation with the Foreign Minister. Request for opinion as to whether Department should file a formal protest against the petroleum bill and should make further reply to Foreign Office note of December 5.	547
Dec. 16 (280)	<i>From the Ambassador in Mexico (tel.)</i> Record of interview with the Foreign Minister in which U. S. position was reiterated; Foreign Minister's conciliatory attitude and his promise to call attention of the appropriate authorities to this exchange of views. Opinion that no reply to the Mexican memorandum of December 5 is necessary at present, but if either the alien land bill or the petroleum bill becomes law, then a formal note should be presented to prevent, if possible, passing of the other bill.	550
Dec. 22 (291)	<i>From the Ambassador in Mexico (tel.)</i> Passage of the petroleum bill by Congress.	551
Dec. 31 (294)	<i>To the Ambassador in Mexico (tel.)</i> Instructions to present a first-person note (substance printed) informing the Mexican Government that the United States cannot assent to a retroactive and confiscatory application of the recent agrarian or petroleum laws to American-owned properties in Mexico.	552

MEXICO

RENEWED NEGOTIATIONS FOR A SETTLEMENT OF THE DISPUTE OVER THE RIO GRANDE BOUNDARY

Date and number	Subject	Page
1924 May 9 (68)	<i>To the Ambassador in Mexico</i> Instructions to endeavor to bring about an adjustment of the long-standing Chamizal case either through an unconditional relinquishment by Mexico of her claims to the tract, or if this could not be accomplished, by the conclusion of a convention; proposed draft of convention for settlement of the case and for the better definition of the international boundary at certain points along the Rio Grande (text printed).	554
Nov. 8 (23)	<i>To the Ambassador in Mexico</i> Proposed additional articles (texts printed) for the draft convention, with regard to the construction of a controlling river channel and the fixing of the international boundary line in the center of that channel.	566
1925 Feb. 19 (48)	<i>From the Ambassador in Mexico (tel.)</i> Foreign Minister's assertion that Mexican Government does not relinquish its claim to the Chamizal tract; his assurance, however, that Mexico is desirous of receiving suggestions from the United States looking toward a settlement of the Chamizal case.	568
Apr. 30 (562)	<i>From the Ambassador in Mexico</i> Note from the Foreign Minister, April 27 (text printed), declaring Mexico's inability, for certain stipulated reasons, to enter into a consideration of the draft convention as submitted to it by the Department in a note dated February 19.	569
June 26	<i>From the American Commissioner, International Boundary Commission, United States and Mexico</i> Minute No. 61 of a meeting of the International Boundary Commission, United States and Mexico, June 23 (text printed), recommending three cut-offs in the Rio Grande for the purpose of flood control, as requested by the city and county of El Paso, Texas.	574
Aug. 11 (176)	<i>To the Chargé in Mexico (tel.)</i> Instructions to express to the Mexican Government the U. S. hope for a prompt decision in favor of approving the Boundary Commission's recommendations.	577
Aug. 13 (154)	<i>From the Chargé in Mexico (tel.)</i> Delivery of note to the Foreign Minister in the sense of telegram No. 176. Foreign Minister's insistence that the proposed cut-offs must await settlement of the general Rio Grande problem; promise, however, to give further consideration to U. S. note and reply as soon as possible.	578
Aug. 17 (183)	<i>To the Chargé in Mexico (tel.)</i> Instructions either to bring the matter to the personal attention of the President or to request the Foreign Minister to do so, placing emphasis on recent losses on both sides of the border due to floods.	578
Aug. 19 (983)	<i>From the Chargé in Mexico</i> Foreign Minister's note, August 18 (text printed), containing Mexican Government's decision that the questions already pending should be settled by the International Boundary Commission before proceeding to the construction of the proposed cut-offs.	578

MEXICO

RENEWED NEGOTIATIONS FOR A SETTLEMENT OF THE DISPUTE OVER THE RIO GRANDE BOUNDARY—Continued

Date and number	Subject	Page
1925 Oct. 26 (231)	<i>To the Chargé in Mexico (tel.)</i> Instructions to approach the Mexican Government again with a view to obtaining its approval of the Commission's recommendations.	581
Nov. 16 (1362)	<i>From the Ambassador in Mexico</i> Note from the Foreign Minister, November 13 (text printed), replying to the further representations of the U. S. Ambassador and indicating that the Government is not prepared to sanction the immediate execution of the work proposed and stands substantially upon the note of August 18.	582

REMOVAL BY THE UNITED STATES OF ITS COALING STATION IN PICHILINGUE BAY AT THE REQUEST OF THE GOVERNMENT OF MEXICO

1924 Oct. 15	<i>From the Mexican Ambassador</i> Mexican Government's request that the U. S. Government remove within 6 months the coaling station now maintained in Pichilingue Bay, as its existence is incompatible with the fundamental laws of Mexico.	584
Dec. 11 (82)	<i>To the Ambassador in Mexico</i> Instructions to intimate to the Mexican authorities that the Government's request is being considered favorably and to say also that the United States would appreciate the renewal of the permission heretofore accorded to the U. S. Fleet to operate from the waters of Magdalena Bay during periods for which diplomatic arrangements would be made beforehand in each case.	586
1925 Jan. 26 (275)	<i>From the Chargé in Mexico</i> Memorandum from the Foreign Minister, January 24 (text printed), setting forth desire that the United States should continue its attitude (as set forth by the Secretary of State in 1910) of not requesting new permits for Magdalena Bay, but asserting disposition to indicate the conditions to be observed if eventually the Navy Department should wish to solicit, as an exception, a permit relative to fleet maneuvers in Magdalena Bay.	587
Feb. 11 (187)	<i>To the Ambassador in Mexico</i> Instructions to inform the Foreign Office that the fuel depot in Pichilingue Bay will be permanently closed and relinquished in accordance with Mexico's wishes; also to convey U. S. appreciation of the Mexican assurance in regard to Magdalena Bay.	588

MOROCCO

REFUSAL BY THE UNITED STATES TO ACQUIESCE IN THE APPLICATION OF THE STATUTE OF TANGIER

Date and number	Subject	Page
1925 Feb. 4 (325)	<i>To the Chargé in Morocco</i> Instructions that the rights of the United States in the Tangier Zone are not to be regarded as modified by the application of the Statute of Tangier, pending receipt of satisfactory replies from France, Great Britain, and Spain to the Department's notes of December 20, 1924.	590
May 31	<i>From the French Ambassador</i> Information that the Statute of Tangier, established through the Paris agreement of December 18, 1923, will go into effect on June 1.	591
May 31 (59-16)	<i>From the Spanish Ambassador</i> Information that the Statute of Tangier will go into effect June 1, and hope that the United States will recognize the new regime at the earliest possible date.	591
May 31 (7)	<i>From the Chargé in Morocco (tel.)</i> Information that the Italian Minister has called a meeting of the Sanitary Council for June 3, in view of announced intention of the Shereefian Government to abolish the Council when the Statute of Tangier goes into effect on June 1. Request for instructions.	592
June 1 (574)	<i>From the British Ambassador</i> Information that the Statute of Tangier will go into force June 1, and hope that the United States will agree as to the necessity of establishing a settled regime in Tangier without further delay.	592
June 1 (5)	<i>To the Chargé in Morocco (tel.)</i> Instructions to attend the meeting of the Sanitary Council but to take no active part beyond entering full reservations of U. S. rights pending receipt of further instructions.	593
June 4 (9)	<i>From the Chargé in Morocco (tel.)</i> Report on attitude of the various representatives of the powers at the meeting of the Sanitary Council.	593
June 4 (399)	<i>From the Chargé in Morocco</i> Detailed account of events and attitude of the powers in connection with the abolition of the Sanitary Council; observations with regard to the inauguration of the Tangier convention, and expression of the hope, in informal conversations with members of the Committee of Control, that no attempt would be made to apply on June 1 the announced laws and taxation to U. S. citizens and protégés.	594
June 11 (403)	<i>From the Chargé in Morocco</i> Account of the proceedings accompanying the formal inauguration of the Tangier convention.	598
June 18	<i>To the French Ambassador</i> Department's inability to acquiesce in the action taken to put into effect the Statute of Tangier, in view of the absence of the assurances requested in its note of December 20, 1924. (Footnote: Sent, <i>mutatis mutandis</i> , to the Spanish Ambassador and the British Chargé.)	599

MOROCCO

REFUSAL BY THE UNITED STATES TO ACQUIESCE IN THE APPLICATION OF THE
STATUTE OF TANGIER—Continued

Date and number	Subject	Page
1925 Sept. 5 (17)	<i>From the Diplomatic Agent and Consul General at Tangier</i> Transmittal of four dahirs relating to taxation imposed in the Tangier Zone which the Sultan's Delegate has requested to be made applicable to U. S. citizens and protégés. Suggestion that no reply be made to this request at present, as no complaints have been presented by American <i>ressortissants</i> with respect to any attempted collection of the taxes from them. Request for authorization to instruct Americans to pay taxes under protest in case necessity should arise.	600
Dec. 1 (364)	<i>To the Diplomatic Agent and Consul General at Tangier</i> U. S. refusal to assent to the imposition in the Tangier Zone of any such taxes upon U. S. nationals or protégés, pending the settlement of the position to be taken by the United States with reference to the Statute of Tangier. Authorization to instruct Americans as suggested.	601
Dec. 3 (74)	<i>From the Ambassador in Spain (tel.)</i> Information that the King, in an audience granted to the Ambassador, expressed the belief that the powers should permit Spain to police Tangier and that this would help to solve the Moroccan problem.	602

RESERVATION OF AMERICAN RIGHTS WITH RESPECT TO JOINT NAVAL VIGILANCE
OF FRANCE AND SPAIN OFF THE MOROCCAN COAST

1925 June 25 (5330)	<i>From the Chargé in France</i> Report that an agreement has been signed at Madrid providing for naval cooperation between Spain and France on the coast of Morocco. Outline of terms of the agreement.	602
June 29 (622)	<i>From the Ambassador in Spain</i> <i>Note verbale</i> from the Foreign Office, June 26 (text printed), containing information of the conclusion of the agreement.	603
July 3 (5361)	<i>From the Ambassador in France</i> Two notes from the Foreign Office (texts printed) stating that the French and Spanish warships will insure strict observance of the international regulations prohibiting any access to the Moroccan coast outside of open ports and also any importation of arms or war material into Morocco; and defining the categories of sectors specified for surveillance. (Footnote: Similar notes from the Spanish Foreign Office, dated June 26 and July 2.)	604
July 31 (297)	<i>To the Ambassador in France (tel.)</i> Instructions to inform the French Government that the U. S. Government does not recognize the right of either France or Spain to interfere with U. S. vessels outside the 3-mile limit, or with such vessels within the 3-mile limit except in the manner provided for in the Act of Algeciras. (Footnote: Similar instructions sent to the Ambassador in Spain.)	606

MOROCCO

ENLISTMENT OF AMERICAN CITIZENS FOR MILITARY SERVICE IN MOROCCO

Date and number	Subject	Page
1925 Sept. 5 (9)	<i>To the Diplomatic Agent and Consul General at Tangier (tel.)</i> Suggestion as to possible advisability of taking measures to invite the attention of U. S. citizens in Morocco to sections 5282 and 4090 of the Revised Statutes of the United States, in order to remove any misapprehension caused by the reported enlistment of U. S. citizens in the Sultan's army.	606
Sept. 24 (26)	<i>From the Diplomatic Agent and Consul General at Tangier</i> Clippings from the local press reflecting upon an action attributed to the State Department in regard to the American aviators serving with the French forces operating against the Riff.	607
Oct. 21	<i>To Representative A. Piatt Andrew of Massachusetts</i> Information concerning the Department's suggestion in its telegram No. 9, September 5, to the diplomatic agent and consul general at Tangier. Statement that the Department has no evidence as to whether the aviators in question have or have not enlisted in the Sultan's army.	607
Nov. 10 (5701)	<i>From the Ambassador in France</i> Paris press announcement that the American aviators who volunteered their services to the French and Moroccan Governments in July will be disbanded November 15 and will return to France. Membership of the squadron and account of its activities.	609
Nov. 11 (421)	<i>To the Ambassador in France (tel.)</i> Statement that the U. S. Government's attitude with respect to American citizens serving in the armed forces in Morocco is based upon the spirit of the laws of the United States regarding foreign enlistment, notably sections 5282 and 4090 of the Revised Statutes. (Instructions to inform consulates.)	611
Nov. 12 (559)	<i>From the Ambassador in France (tel.)</i> Ambassador's assertion that he has always understood the U. S. attitude as set forth in Department's telegram No. 421 and does not understand the reason for that telegram.	612
Nov. 12 (424)	<i>To the Ambassador in France (tel.)</i> Explanation that the Department's 421 was sent in the belief that it would be a useful addition to the permanent files of the Embassy and in order that the consulates in France might be appropriately instructed before the aviators returned.	612
Nov. 14 (5720)	<i>From the Ambassador in France</i> Transmittal of an article from <i>Le Temps</i> of November 14 (text printed), regarding the dissolution of the Riffian squadron.	612

NETHERLANDS

ARBITRATION BETWEEN THE UNITED STATES AND THE NETHERLANDS RESPECTING SOVEREIGNTY OVER THE ISLAND OF PALMAS

1925 Jan. 23	<i>Treaty Between the United States of America and the Netherlands</i> To terminate the differences between the two Governments with respect to the sovereignty over the Island of Palmas.	614
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NICARAGUA

WITHDRAWAL OF THE LEGATION GUARD OF UNITED STATES MARINES AFTER THE
INAUGURATION OF THE SOLORZANO ADMINISTRATION

Date and number	Subject	Page
1925 Jan. 3 (3)	<i>From the Chargé in Nicaragua (tel.)</i> President Solorzano's desire that a plan for establishment of a constabulary be submitted to him, and that the legation guard be retained until the constabulary is sufficiently well organized to make its withdrawal feasible.	618
Jan. 3 [5?]	<i>From the Chargé in Nicaragua (tel.)</i> Recommendation that if the legation guard is to be withdrawn in January and withdrawal is not to be contingent upon the establishment of a constabulary force, the Department should at an early date extend formal recognition to the Solorzano government and announce intention to lend effective moral support.	618
Jan. 7 (9)	<i>From the Chargé in Nicaragua (tel.)</i> President's desire that the legation guard remain; exposition of his views as set forth in excerpts from draft of a formal note to be submitted to the Legation by the Foreign Minister.	619
Jan. 7 (1)	<i>To the Chargé in Nicaragua (tel.)</i> Plan for withdrawal of legation guard during January; Department's willingness, however, to cooperate in organizing the constabulary, and desire for prompt action by Congress on pending legislation which would authorize employment of U. S. Marine officers as instructors; intention that formal and cordial diplomatic relations be continued with the new authorities.	620
Jan. 8 (3)	<i>To the Chargé in Nicaragua (tel.)</i> Instructions to cable full text of note mentioned in Legation's telegram No. 9, January 7, and to inquire whether there is any objection to publication of the note.	620
Jan. 9 (13)	<i>From the Chargé in Nicaragua (tel.)</i> Foreign Office note, January 7 (text printed), setting forth the President's desire that the U. S. marines should not be withdrawn until the establishment, under the guidance of American instructors, of an efficient national guard. (Footnote: Permission granted for publication of the note, and its release to the press January 17.)	621
Jan. 14 (8)	<i>To the Chargé in Nicaragua (tel.)</i> Note for the Foreign Minister (text printed) stating Department's willingness to permit the legation guard to remain for such time as is absolutely necessary, but only upon the understanding that the work of organizing the police force will be immediately undertaken and prosecuted in accordance with a suitable plan. Department's desire to withdraw the marines before September 1 if practicable.	622
Feb. 17 (204)	<i>To the Minister in Nicaragua</i> Transmittal of a plan for the establishment of a constabulary in Nicaragua (text printed).	624
Mar. 9 (57)	<i>From the Chargé in Nicaragua (tel.)</i> Nicaraguan objections to the plan, as presented informally by the Chargé; Chargé's recommendation that he be instructed to present a note to the Foreign Minister embodying the plan with such modifications as have been agreed upon by himself and Major Keyser, commander of the legation guard.	627

NICARAGUA

WITHDRAWAL OF THE LEGATION GUARD OF UNITED STATES MARINES AFTER THE INAUGURATION OF THE SOLORZANO ADMINISTRATION—Continued

Date and number	Subject	Page
1925 Mar. 11 (40)	<i>To the Chargé in Nicaragua (tel.)</i> Authorization to present note as suggested, and to state orally that unless Nicaragua desires to proceed at once to the organization of the constabulary, the United States would not be willing for the legation guard to remain longer.	628
May 15 (95)	<i>From the Chargé in Nicaragua (tel.)</i> Transcript of the constabulary plan as approved by the Nicaraguan Congress (text printed).	628
May 20 (96)	<i>From the Chargé in Nicaragua (tel.)</i> Explanation to the Foreign Minister that if his Government desired U. S. cooperation in organization of the constabulary, it should formally request it, in view of the omission in the new plan of all provisions for U. S. cooperation. Nicaraguan note making such request (excerpt printed); Chargé's recommendation that request be refused, in view of nature of the plan as now worded.	630
May 27 (66)	<i>To the Chargé in Nicaragua (tel.)</i> Opinion that it is advisable to comply with the Nicaraguan request; instructions to cooperate with Major Keyser in selecting well-qualified officers of the guard to assist in organizing the constabulary pending the arrival of civilian instructors.	632
Undated	<i>Memorandum by the Secretary of State of a Conversation With the Nicaraguan Chargé, May 28, 1925</i> Nicaraguan request for names of the U. S. officers who would act as instructors; Secretary's information that the Navy Department has been asked for the names of its officers.	633
June 16 (70)	<i>To the Chargé in Nicaragua (tel.)</i> Information that Major Carter, of Texas, has signed a 1-year contract to be chief of the constabulary and of the school of instruction.	633
July 3 (113)	<i>From the Chargé in Nicaragua (tel.)</i> Foreign Minister's assertion that his Government now has funds for organizing the national guard and his request that the marines undertake the organization; recommendation that Foreign Minister be informed that in view of the contemplated departure of the legation guard on August 3 it is impracticable for the marines to do so.	634
July 7 (78)	<i>To the Chargé in Nicaragua (tel.)</i> Approval of Chargé's recommendation, and authorization to advise Foreign Minister accordingly.	635
Aug. 1 (126)	<i>From the Chargé in Nicaragua (tel.)</i> Information that the legation guard has left Managua and arrived at Corinto.	636

EFFORTS BY THE UNITED STATES TO PRESERVE CONSTITUTIONAL GOVERNMENT IN NICARAGUA

1925 Aug. 29 (134)	<i>From the Minister in Nicaragua (tel.)</i> Report of incident at the International Club, where several persons were forcibly taken prisoner by troops of General Rivas, commander of the Loma garrison; and of Rivas' demand for the removal of several Liberal members of the Cabinet; interruption of business and communication.	636
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NICARAGUA

EFFORTS BY THE UNITED STATES TO PRESERVE CONSTITUTIONAL GOVERNMENT IN
NICARAGUA—Continued

Date and number	Subject	Page
1925 Sept. 1 (135)	<i>From the Minister in Nicaragua (tel.)</i> Declaration of martial law in Managua.	637
Sept. 3 (138)	<i>From the Minister in Nicaragua (tel.)</i> President Solorzano's indecision as to whether to resign or to demand the resignation of General Rivas. Opinion of thinking men of all parties that anarchy will prevail unless Rivas is soon relieved and the President assumes firmer authority.	637
Sept. 6 (139)	<i>From the Minister in Nicaragua (tel.)</i> Probability that the appearance of an American war vessel at Corinto at this time would have a stabilizing effect.	637
Sept. 7 (140)	<i>From the Minister in Nicaragua (tel.)</i> President Solorzano's request for the dispatch of an American war vessel to Bluefields and another to Corinto immediately.	638
Sept. 13 (142)	<i>From the Minister in Nicaragua (tel.)</i> Arrival in Managua of Captain Wyman of the <i>Denver</i> and three aides; President's expression of appreciation.	638
Sept. 21 (145)	<i>From the Minister in Nicaragua (tel.)</i> Information that war vessels withdrew September 20; assertion that their presence doubtless stopped temporarily at least the tendency toward revolution.	638
Oct. 25 (150)	<i>From the Minister in Nicaragua (tel.)</i> Information that General Chamorro has taken charge of the Loma fortress and that his troops threaten to control the entire situation by force, if necessary. Minister's advice to Chamorro that the United States has no other course to pursue than to support the constitutional government and will not recognize any government assuming power by force.	639
Oct. 26 (101)	<i>To the Minister in Nicaragua (tel.)</i> Approval of the Minister's action, and instructions to keep Department fully informed.	639
Oct. 26 (153)	<i>From the Minister in Nicaragua (tel.)</i> Information that President Solorzano has agreed to virtually all the demands of Chamorro and that Chamorro is in complete control.	640
Nov. 7 (163)	<i>From the Minister in Nicaragua (tel.)</i> Chamorro's statement that he is sending additional troops to Leon to guard against alleged tendency of the Liberals to revolt; claim of the Liberals that acts of violence are being done in order to force resignation of Vice President Sacasa.	640
Nov. 9 (165)	<i>From the Minister in Nicaragua (tel.)</i> Information from the Minister of Honduras that Vice President Sacasa, fleeing from Leon, has arrived at La Union, Honduras.	641
Nov. 17 (169)	<i>From the Minister in Nicaragua (tel.)</i> Report that the Solorzano government still functions under all the changes of October 26. Opinion that no change in attitude thus far taken by the Legation is required as yet.	641

NICARAGUA

EFFORTS BY THE UNITED STATES TO PRESERVE CONSTITUTIONAL GOVERNMENT IN NICARAGUA—Continued

Date and number	Subject	Page
1925 Dec. 9 (114)	<i>To the Minister in Nicaragua (tel.)</i> Statement that if President Solorzano should resign, the United States would accord recognition to any successor who had been elected or appointed by constitutional means. Instructions to make clear to political leaders, if necessary, the U. S. policy with respect to the recognition of new Central American governments.	642
Dec. 14 (179)	<i>From the Minister in Nicaragua (tel.)</i> Idea held by many Nicaraguans that the United States would employ armed force to place Sacasa in office should Solorzano resign. Suggestion that Department issue an instruction on this point.	642
Dec. 14 (115)	<i>To the Minister in Nicaragua (tel.)</i> Assertion that United States would not use armed force to place Sacasa in office should Solorzano resign; also that it should not be necessary to elaborate on Department's policy as set forth in instruction No. 114, of December 9.	643
Dec. 18 (184)	<i>From the Minister in Nicaragua (tel.)</i> Legation's firm opposition to proposal by some Nicaraguans that a constituent assembly be called for the ostensible purpose of revising the Constitution, but actually to effect a change of government.	644
Dec. 21 (120)	<i>To the Minister in Nicaragua (tel.)</i> Approval of Minister's action in discouraging the calling of a constituent assembly to bring about a change of government.	644
Dec. 24 (186)	<i>From the Minister in Nicaragua (tel.)</i> Information that the plans for nullifying the last elections and for convoking a constituent assembly have been abandoned for the present at least.	646

NORWAY

ARRANGEMENT BETWEEN THE UNITED STATES AND NORWAY GRANTING RELIEF FROM DOUBLE INCOME TAX ON SHIPPING PROFITS

1924 Nov. 26	<i>From the Norwegian Minister</i> Transmittal of provisions (text printed) of the new taxation laws enacted in Norway August 11, 1924, amending the exemption provisions of the laws of August 18, 1911, and reaffirming the reciprocal exemption of income and excess and war profits taxes in Norway and the United States with regard to income derived from the operation of ships under their respective flags.	647
1925 Jan. 23	<i>To the Norwegian Minister</i> Information that the exemption provision of the new Norwegian laws of August 11, 1924, satisfies the equivalent exemption provision of section 213 (b) (8) of the Revenue Act of 1924.	648
Mar. 24	<i>From the Norwegian Minister</i> Confirmation of the existence of reciprocity under the Norwegian and American laws regarding exemption from double income tax on shipping.	649

PANAMA

STATUS IN THE CANAL ZONE OF DIPLOMATIC AND CONSULAR OFFICERS ACCREDITED TO PANAMA

Date and number	Subject	Page
1924 Feb. 25 (388)	<i>From the Minister in Panama</i> Request for a ruling in regard to the status of diplomatic and consular officers in Panama and the question of permitting foreign consuls accredited to Panama to exercise their functions in the Canal Zone without the issuance of an exequatur by the United States.	650
Apr. 2	<i>To the Secretary of War</i> Suggestion that the Department's circular note of February 17, 1921, to certain foreign diplomatic representatives in Washington, be brought to the attention of the Governor of the Canal Zone, with a view to enforcing the system outlined therein, namely, that foreign consuls in Panama should exercise their functions under exequaturs issued by the United States.	651
Apr. 29 (181)	<i>To the Minister in Panama</i> Information that U. S. diplomatic officers in Panama have the same status with respect to the Canal Zone as to any other territory over which the United States exercises jurisdiction; that consular officers do not have privileges and immunities accorded diplomatic officers, but do have certain rights derived from international law and treaties; that the U. S. policy as to exequaturs for foreign consuls in Panama is stated in the circular of February 17, 1921 (excerpt printed).	653
1925 Jan. 3	<i>To the Secretary of War</i> Approval of the procedure suggested by the Acting Governor of the Canal to issue a notice informing foreign consuls that only those having U. S. exequaturs will be regarded as authorized to transact consular business in the Canal Zone after January 1, 1925. Opinion that an exception should be made, however, for those having obtained the provisional recognition of the United States.	655
Jan. 20	<i>From the Secretary of War</i> Circular letter issued by the Acting Governor of The Panama Canal, January 7 (text printed), giving notice of the requirement regarding U. S. exequaturs.	656
Jan. 31	<i>To the Panaman Minister</i> Information, in reply to the Minister's inquiry, that it is the practice of the United States to accord to diplomatic officers accredited to Panama, while in the Canal Zone, those courtesies and privileges which are customarily extended by third states to diplomatic officers of foreign governments.	657
GOOD OFFICES OF THE AMERICAN MINISTER IN PANAMA IN PACIFYING AN INDIAN REVOLT		
1925 Feb. 27 (24)	<i>From the Minister in Panama (tel.)</i> Report of an Indian uprising which appears to be general along a portion of the north coast; also that intense bitterness toward Richard O. Marsh, an American citizen and explorer, is manifested in the press and throughout the country.	657

PANAMA

GOOD OFFICES OF THE AMERICAN MINISTER IN PANAMA IN PACIFYING AN INDIAN REVOLT—Continued

Date and number	Subject	Page
1925 Feb. 27 (25)	<i>From the Minister in Panama (tel.)</i> Information obtained from Indians that Marsh has attempted to restrain them and that their uprising is due to injustices done them by the Panamans. Suggestion that Department endeavor, through the Legation, to have Marsh return to the United States.	658
Feb. 28 (27)	<i>From the Minister in Panama (tel.)</i> Information that Marsh has asked the captain of the <i>Cleveland</i> to take him to Cristobal, as his life is in danger. Request for instructions as to what course to follow if Panaman authorities demand that he be turned over to them at Cristobal.	659
Feb. 28 (26)	<i>From the Minister in Panama (tel.)</i> Information that Justice of the Supreme Court is leaving for Carti to make investigation of Marsh's activities and hear evidence of Indians.	659
Feb. 28 (24)	<i>To the Minister in Panama (tel.)</i> Authorization to act on suggestion contained in Legation's telegram No. 25, February 27.	659
Mar. 1 (28)	<i>From the Minister in Panama (tel.)</i> Desire for instructions regarding Marsh in order to avoid unnecessary complications on his arrival at Cristobal. Panaman Government's intention to ask for his extradition.	660
Mar. 2 (25)	<i>To the Minister in Panama (tel.)</i> Assertion that upon Marsh's arrival in the Canal Zone the matter of his extradition will be one to be dealt with in the usual manner between authorities of Panama and the Canal Zone.	660
Mar. 2 (29)	<i>From the Minister in Panama (tel.)</i> Conviction, after participation in Carti investigation, that charges made by the Indians against Panama are true. Panaman intention to ask for assistance in resubjugating the Indians; suggestion that no such assistance be given at present.	660
Mar. 4 (31)	<i>From the Minister in Panama (tel.)</i> Signature of an agreement between the Foreign Minister, Minister of Justice, and 13 Indian chiefs of northern San Blas region; Minister's signature as a witness. Official inquiry into Marsh's activities and decision not to ask for his extradition but to ask Canal Zone authorities to deport him. (Footnote: Information that the agreement was signed at Porvenir, capital of police district of San Blas.)	661
Mar. 5 (32)	<i>From the Minister in Panama (tel.)</i> Acceptance of Porvenir agreement by the head chief of the southern San Blas region, following conference at Aligandi between the Indians, the U. S. Minister, and the Panaman Foreign Minister and Minister of Justice.	662
Mar. 6 (26)	<i>To the Minister in Panama (tel.)</i> Department's congratulations upon success of Minister's efforts to compose differences between Panaman officials and Indians, and commendation for able handling of the difficult situation.	662
Mar. 18 (38)	<i>From the Minister in Panama (tel.)</i> Information that Marsh sailed for United States March 17.	662

PANAMA

ASSISTANCE BY UNITED STATES TROOPS IN QUELLING RIOTS IN PANAMA CITY

Date and number	Subject	Page
1925 Oct. 11 (95)	<i>From the Chargé in Panama (tel.)</i> Report of riot in Santa Ana Plaza, October 10, when Tenants' League, under leadership of foreign and Panaman labor agitators, attempted to hold a meeting in defiance of decree of the municipal authorities.	663
Oct. 12 (96)	<i>From the Chargé in Panama (tel.)</i> Foreign Minister's request for 300 American troops to assist the Panaman police in keeping order; reply, after consultation with the Acting Governor of the Canal Zone, that U. S. military authorities would assume control of policing the city upon written request of the Panaman Government, stating its inability to maintain order.	663
Oct. 12 (97)	<i>From the Chargé in Panama (tel.)</i> Information that about 600 U. S. troops entered the city, following formal request from the Foreign Minister for U. S. assistance.	664
Oct. 13 (63)	<i>To the Chargé in Panama (tel.)</i> Approval of Chargé's action. Instructions to observe situation closely with a view to initiating measures for withdrawal of troops as soon as feasible.	665
Oct. 14 (98)	<i>From the Chargé in Panama (tel.)</i> Report that conditions in the city are rapidly returning to normal.	665
Oct. 22 (105)	<i>From the Chargé in Panama (tel.)</i> Report that U. S. troops will be withdrawn from the city October 23.	666
Oct. 23 (108)	<i>From the Chargé in Panama (tel.)</i> Withdrawal of the troops at noon on October 23.	666

PARAGUAY

DELIVERY OF THE "PARAGUAYAN JEWELS" TO THE GOVERNMENT OF PARAGUAY

1925 Jan. 27 (318)	<i>To the Minister in Uruguay</i> Instructions to make an examination and inventory of the box containing the so-called "Paraguayan Jewels," now on deposit in a Montevideo bank, as it is desired to endeavor to ascertain what claimants are entitled to the articles therein.	667
Apr. 9 [290]	<i>To the Chargé in Paraguay</i> Transmittal of copy of the inventory of the box as received from the Legation at Montevideo. Authorization to point out to the Paraguayan Government the virtual impossibility of determining the owners of the articles, and to endeavor to induce that Government to accept the box and discharge the United States of all responsibility in connection therewith.	669
May 28 (1523)	<i>From the Chargé in Paraguay</i> Foreign Minister's verbal consent to receive the box and relieve the U. S. Government of all responsibility in connection therewith.	670

PARAGUAY

DELIVERY OF THE "PARAGUAYAN JEWELS" TO THE GOVERNMENT OF PARAGUAY—
Continued

Date and number	Subject	Page
1925 Oct. 1 (304)	<i>To the Minister in Paraguay</i> Authorization, in view of Foreign Minister's note of June 30 (excerpt printed) declining to receive the jewels on the conditions proposed, to offer to turn the box over to the Foreign Minister on the understanding that this action does not affect one way or another the question of the alleged liability of the United States because of loss of specie and other articles from the box while it was in the custody of an officer of the United States.	671
Nov. 24 (21)	<i>From the Minister in Paraguay (tel.)</i> Paraguayan Government's acceptance of the jewels to be delivered at Asunción. Inquiry as to how the Legation shall proceed.	673
Nov. 30 (13)	<i>To the Minister in Paraguay (tel.)</i> Instructions for procedure to be followed in turning over the jewels to the Paraguayan Government.	674
1926 Mar. 22 (58)	<i>From the Minister in Paraguay</i> Information that the jewels have been delivered to the Paraguayan Government.	674

PERSIA

CHANGE OF DYNASTY IN PERSIA AND RECOGNITION BY THE UNITED STATES OF
THE GOVERNMENT OF REZA SHAH PAHLAVI

1925 Oct. 30 (75)	<i>From the Chargé in Persia (tel.)</i> Information that demonstrations against the Kajar dynasty have become more widespread and frequent.	676
Oct. 31 (76)	<i>From the Chargé in Persia (tel.)</i> Probability that the Prime Minister, Reza Khan Pahlavi, will be proclaimed Shah, or else that a Constituent Assembly will be called.	676
Oct. 31 (77)	<i>From the Chargé in Persia (tel.)</i> Law passed by the Persian Mejliss (text printed) abolishing the Kajar sovereignty and entrusting the provisional government to Reza Khan Pahlavi, pending decision of the Constituent Assembly concerning form of the permanent government.	677
Nov. 2 (79)	<i>From the Chargé in Persia (tel.)</i> Decision of diplomatic representatives at Teheran to send to the Foreign Minister brief individual acknowledgments of his communication which gave notification of the action of the Mejliss. Expectation that the Constituent Assembly will be convoked in a few weeks.	677
Nov. 3 (53)	<i>To the Chargé in Persia (tel.)</i> Department's sanction of plans for acknowledgment of the Foreign Office communication; authorization for the Chargé to carry on, at his discretion, the business of the Legation with the Provisional Government.	678

PERSIA

CHANGE OF DYNASTY IN PERSIA AND RECOGNITION BY THE UNITED STATES OF THE GOVERNMENT OF REZA SHAH PAHLAVI—Continued

Date and number	Subject	Page
1925 Nov. 3 (80)	<i>From the Chargé in Persia (tel.)</i> Information regarding British provisional recognition of the Reza Khan regime. Suggestion that a good impression would be made by an immediate U. S. expression of friendliness.	678
Nov. 4 (55)	<i>To the Chargé in Persia (tel.)</i> U. S. opinion that confirmation of the Provisional Government by the Constituent Assembly might fittingly precede formal recognition by the United States.	679
Nov. 5 (81)	<i>From the Chargé in Persia (tel.)</i> Foreign Minister's statement that Reza Khan counts on receiving from the United States a communication in writing which will use the words "provisional recognition."	679
Nov. 5 (56)	<i>To the Chargé in Persia (tel.)</i> Authorization to deliver a communication to the Persian Government stating that United States accords recognition to the provisional regime on the understanding that all international agreements between the United States and Persia will be scrupulously observed by the new regime.	680
Nov. 8 (82)	<i>From the Chargé in Persia (tel.)</i> Delivery of communication to the Foreign Minister in the sense of Department's instruction No. 56.	681
Dec. 21	<i>To the Persian Chargé</i> Information that the United States, having noted the Constituent Assembly's action in investing the Constitutional Monarchy in His Imperial Majesty Reza Shah Pahlavi, extends recognition to the Government of Persia. Message cabled by the President of the United States to Reza Shah Pahlavi, December 16 (text printed).	681

COOPERATION OF THE UNITED STATES WITH GREAT BRITAIN IN EFFORTS TO RESTRICT THE EXPORT OF OPIUM FROM PORTS IN THE PERSIAN GULF

1925 Jan. 9 (17)	<i>From the British Ambassador</i> Inquiry whether the United States would now be prepared to approach the Persian Government with respect to the latter's exercising a more effective control of illicit traffic in opium from ports in the Persian Gulf. Transmittal of notice of British opium traffic regulations, 1924 (text printed).	682
Jan. 19 (2)	<i>To the Chargé in Persia (tel.)</i> Instructions to cable what action, if any, has been taken other than as reported in despatches of September 23 and October 8, 1924, and to report if there is any objection to representations in regard to the opium traffic question as mentioned in the British note of January 9.	684
Jan. 21 (5)	<i>From the Chargé in Persia (tel.)</i> Information that no representations on opium question have been made since those reported in 1924; further observations in connection with the British note.	684

PERSIA

COOPERATION OF THE UNITED STATES WITH GREAT BRITAIN IN EFFORTS TO RESTRICT THE EXPORT OF OPIUM FROM PORTS IN THE PERSIAN GULF—Continued

Date and number	Subject	Page
1925 Feb. 7 (4)	<i>To the Chargé in Persia (tel.)</i> Instructions to address a further communication to the Persian Government embodying the substance of second and third paragraphs of Department's note of August 21, 1924, to the British Embassy; also stating U. S. pleasure over action already taken by Persia toward suppressing illicit traffic from ports of the Persian Gulf and hope that this action will be pressed to a successful conclusion.	685
Feb. 9 (9)	<i>From the Chargé in Persia (tel.)</i> Request for an exact definition of the term "illicit" when applied to the opium traffic from the ports of the Persian Gulf.	686
Feb. 12 (7)	<i>To the Chargé in Persia (tel.)</i> Authorization to substitute "with respect to" for "toward suppressing illicit" in note to Persian Government.	686
Feb. 14 (11)	<i>From the Chargé in Persia (tel.)</i> Information that note on opium is being delivered to the Persian Government.	686
Mar. 2	<i>To the British Ambassador</i> Acknowledgment of British note No. 17 of January 9, and information that the U. S. Chargé at Teheran has been instructed to make representations to the Persian Government.	687
July 31 (409)	<i>To the Chargé in Persia</i> Instructions to address a further communication to the Persian Government expressing the hope that Persia will supply information as to steps taken or to be taken to control the export of opium likely to get into contraband channels.	687
Oct. 9 (1225)	<i>From the Chargé in Persia</i> Chargé's note to the Foreign Minister, September 7 (text printed), in the sense of the Department's instruction No. 409.	689

POLAND

AGREEMENT BETWEEN THE UNITED STATES AND POLAND ACCORDING MUTUAL UNCONDITIONAL MOST-FAVORED-NATION TREATMENT IN CUSTOMS MATTERS, SIGNED FEBRUARY 10, 1925

1925 Feb. 10	<i>To the Polish Minister</i> Understanding of agreement reached for mutual unconditional most-favored-nation treatment in customs matters.	692
Feb. 10	<i>From the Polish Minister</i> Understanding of agreement reached for mutual unconditional most-favored-nation treatment in customs matters.	694

RUSSIA

REFUSAL BY THE DEPARTMENT OF STATE TO INTERVENE ON BEHALF OF THE SINCLAIR EXPLORATION COMPANY AGAINST CANCELATION OF ITS OIL CONCESSION IN NORTHERN SAKHALIN

Date and number	Subject	Page
1925 Feb. 27 (18)	<i>From the Minister in Latvia (tel.)</i> Report of application by the Supreme Soviet People's Economy to the Moscow Province Court for cancelation of the Sinclair Co.'s oil concession in Northern Sakhalin on the ground that the company failed to carry out certain of the stipulations. (Footnote: Report, April 11, that the Court annulled the contract on March 24.)	697
Mar. 12	<i>Memorandum by the Secretary of State</i> Résumé of background in connection with the Sinclair contract; opinion that the United States cannot support a contract between American nationals and a government which it has not recognized.	697
June 3	<i>Memorandum by the Secretary of State</i> Account of interview with Mr. Robert Lansing, counselor for the Sinclair Co., at which it was concluded that if there should be a change of government in Russia, and the new government should conclude that an injustice had been done, the United States might lay the facts before the Japanese Government, which had declined to permit Sinclair employees to enter Sakhalin for exploration, with a request for equal opportunity regarding concessionary rights.	699
July 1	<i>From the Solicitor for the Department of State</i> Understanding conveyed to Mr. Woolsey, law partner of Mr. Lansing, that it was not the Department's intention to send an instruction to Tokyo in connection with the Sinclair contract unless some government in Russia should be recognized by the United States.	701

RESERVATIONS BY THE UNITED STATES RESPECTING THE DISPOSAL MADE BY GREAT BRITAIN AND FRANCE OF RUSSIAN GOLD RECEIVED FROM GERMANY

1924 Sept. 17 (833)	<i>From the British Ambassador</i> Notification from the British Government, in concert with the French Government, regarding the disposal of certain Russian gold transferred by Germany to the Allied and Associated Governments under article 15 of the Armistice and article 259 (6) of the Treaty of Versailles.	701
1925 Mar. 3	<i>To the British Ambassador</i> Information that since the action reported in the British note of September 17 appears to be at variance with the views of the United States, the U. S. Government must fully reserve its position with respect to the action taken and its rights in the premises.	702

RUSSIA

AUTHORIZATION OF VISAS FOR RUSSIAN NATIONALS TO VISIT THE UNITED STATES
TEMPORARILY FOR BUSINESS

Date and number	Subject	Page
1925 May 19	<i>To the Consul General at Paris (tel.)</i> Authorization, in view of request from a New York law firm representing Soviet business interests, to issue visas to such aliens as, under general instructions regarding such matters, may properly receive them.	703

SAN MARINO

PROPOSAL OF SAN MARINO TO ESTABLISH A LEGATION IN THE UNITED STATES

1924 Feb. 2 (984/A/ XLI)	<i>From the Secretary of State for Foreign Affairs of San Marino</i> Information that Commander Ignazio Pollak has been appointed for the current year 1924 as Envoy Extraordinary to the states of North America and that he will deliver greetings from San Marino to the United States.	704
Mar. 8	<i>To the Secretary of State for Foreign Affairs of San Marino</i> Appreciation of the friendly motive prompting the appointment of Commander Pollak. (Footnote: Information that Commander Pollak was received by the Secretary on April 17.)	704
Nov. 19 (127/A/ XCII)	<i>From the Secretary of State for Foreign Affairs of San Marino</i> Inquiry if it would be agreeable to the Government of the United States for the Government of San Marino to establish a Legation at Washington.	705
1925 Jan. 16	<i>To the Secretary of State for Foreign Affairs of San Marino</i> Information that if the Government of San Marino should decide to accredit a diplomatic representative to the United States, the President will be happy to receive him. (Footnote: No indication in the Department files of further action regarding the establishment of a Legation.)	705

SPAIN

CONTINUATION OF THE COMMERCIAL "MODUS VIVENDI" BETWEEN THE UNITED STATES AND SPAIN

1925 Apr. 7 (545)	<i>From the Ambassador in Spain</i> Report of a discussion with the Acting Foreign Minister regarding the points raised in the Department's note of December 5, 1924, proposing a temporary commercial agreement based on unconditional most-favored-nation treatment.	707
Apr. 17 (13)	<i>From the Ambassador in Spain (tel.)</i> Proposal from the Acting President of the Military Directorate (text printed), indicating Spanish Government's willingness to continue the present commercial arrangement for another year if the United States should be favorably inclined to reexamine the situation with respect to the importation of Almeria grapes. Request for instructions as to what answer to make.	708

SPAIN

CONTINUATION OF THE COMMERCIAL "MODUS VIVENDI" BETWEEN THE UNITED STATES AND SPAIN—Continued

Date and number	Subject	Page
1925 Apr. 21 (11)	<i>To the Ambassador in Spain (tel.)</i> Information that the Department is considering the suggestion to reexamine the situation respecting the importation of Almeria grapes and desires meanwhile that the Ambassador endeavor to obtain information on certain points in connection with the commercial arrangement.	709
Apr. 29 (17)	<i>From the Ambassador in Spain (tel.)</i> Opinion of the Acting Foreign Minister that he could induce the Treaty Board to agree to an indefinite extension of the present commercial arrangement, subject to termination upon 3 months' notice by either party. Request for instructions as to whether such procedure would be satisfactory.	710
Apr. 30 (18)	<i>From the Ambassador in Spain (tel.)</i> Foreign Office note (text printed) conveying Spanish Government's attitude in regard to the points raised in Department's telegram No. 11, April 21.	710
May 1 (14)	<i>To the Ambassador in Spain (tel.)</i> Information that an exchange of notes on the basis of continuation of the arrangement indefinitely after 1 year, subject to termination on 3 months' notice, will be satisfactory.	711
May 2 (568)	<i>From the Ambassador in Spain</i> Exchange of notes, May 2 (texts printed), concluding the agreement. Ambassador's good offices with a view to obtaining a reexamination of the grape question, in conformity with Spanish Government's request.	712

PROTESTS BY SPAIN AGAINST AMERICAN EMBARGO ON SPANISH ORANGES

1925 Dec. 9 (76)	<i>From the Ambassador in Spain (tel.)</i> Inquiry whether the Department of Agriculture has placed an embargo on Spanish oranges. Assertion that an immediate answer is vital to every American business interest in Spain.	714
Dec. 12 (75)	<i>To the Ambassador in Spain (tel.)</i> Information that permits have been discontinued for importation of Spanish oranges, as they have been found to be heavily infested with the Mediterranean fruit fly.	714
Dec. 12	<i>From the Spanish Ambassador</i> Expression of Spanish Government's surprise and regret to learn that the United States has included Spanish oranges in the prohibition already declared against Almeria grapes.	715
Dec. 13 (78)	<i>From the Ambassador in Spain (tel.)</i> Personal letter of protest from Gen. Primo de Rivera, received December 9 (text printed), which prompted Ambassador's telegram No. 76, of December 9.	716

SPAIN

PROTESTS BY SPAIN AGAINST AMERICAN EMBARGO ON SPANISH ORANGES—
Continued

Date and number	Subject	Page
1925 Dec. 19 (78)	<i>To the Ambassador in Spain (tel.)</i> Information that an appeal to the people of the United States against the embargo on Almerian grapes and Spanish oranges appeared in the <i>New York Times</i> of December 18 under the name of Primo de Rivera. Instructions to advise the Department if Rivera actually made the statement, and if so, to report the circumstances under which it was issued.	717
Undated	<i>An Article Reprinted From the "New York Times" of December 18, 1925</i> By Primo de Rivera, appealing to the people of the United States against the embargo on Almerian grapes and Spanish oranges.	718
Dec. 20 (85)	<i>From the Ambassador in Spain (tel.)</i> Information that Primo de Rivera's statement was made after he sent his letter of protest to the Ambassador and after the latter's explanation that no personal offense was intended.	720
1926 Feb. 10	<i>To the Spanish Ambassador</i> Letter from the Secretary of Agriculture, January 29 (text printed), explaining the action of the Federal Horticultural Board in refusing to issue further permits for the entry of Spanish oranges into the United States; provision, however, for the transit of Valencia oranges through the United States to Canada. Attention called to the fact that the embargo is general in scope and not directed specifically against Spanish oranges.	722
Feb. 11 (63-18)	<i>From the Spanish Ambassador</i> Appreciation for the facility extended by the Horticultural Board for the transit to Canada, through the United States, of oranges from Valencia, but regret that it was made known to the Spanish Government too late to be availed of this year.	724

SWEDEN

COMPLAINT BY SWEDEN AGAINST ACTIVITIES OF AMERICAN CUSTOMS REPRESENTATIVES IN THAT COUNTRY

1925 Mar. 28	<i>From the Swedish Chargé</i> Protest against decisions by the U. S. Secretary of the Treasury prohibiting importation of merchandise of certain Swedish firms on the ground that these firms had failed to submit certain records for inspection in accordance with section 510 of the Tariff Act of 1922.	725
Apr. 15	<i>To the Swedish Chargé</i> Information that one of the firms in question has agreed to permit an inspection of its books and records in accordance with the 1922 Tariff Act, and that consequently the prohibiting order against this firm has been revoked under date of April 1.	727
May 4	<i>From the Swedish Minister</i> Swedish Government's maintenance of its position, insofar as the principle involved is concerned, as expressed in the Legation's note of March 28.	727

SWEDEN

DISCONTINUANCE OF THE REPRESENTATION OF AMERICAN INTERESTS IN TURKEY
BY SWEDISH DIPLOMATIC OFFICERS

Date and number	Subject	Page
1925 Jan. 12 (5)	<i>From the High Commissioner in Turkey</i> Information from the Swedish Minister that Sweden desires to discontinue the official representation of the United States in Turkey, and his desire for assurance of a favorable reply. Recommendation that notes be exchanged with him as indicated.	728
June 24 (134)	<i>To the Chargé in Sweden</i> Instructions to address a note to the Foreign Minister (text printed) requesting discontinuance of Swedish representation of American interests in Turkey, and expressing U. S. appreciation for the friendly courtesy of the Government of Sweden.	728
July 20 (528)	<i>From the Chargé in Sweden</i> Receipt of note from the Foreign Office to the effect that the Swedish Minister at Constantinople has been instructed to discontinue representation of American interests in Turkey.	729
July 16	<i>"Procès-Verbal"</i> For the transfer of American Embassy and consular property in Turkey from the Swedish Legation to the American High Commission.	729

SWITZERLAND

COMPLAINT BY SWITZERLAND AGAINST ACTIVITIES OF AMERICAN CUSTOMS REPRESENTATIVES IN THAT COUNTRY

1924 Oct. 29 (112)	<i>From the Minister in Switzerland (tel.)</i> Report of complaints received by Federal Councilor Schulthess as to activities of U. S. Treasury representatives in Switzerland in the course of their investigations as to production costs, loan contracts, etc.	731
Nov. 28 (120)	<i>From the Chargé in Switzerland (tel.)</i> Request for telegraphic expression of Department's views for guidance in replying to Schulthess in connection with a specified complaint.	731
Dec. 10 (99)	<i>To the Minister in Switzerland (tel.)</i> Hope that general instructions outlining a procedure governing customs representatives' activities in foreign countries can be issued shortly.	732
1925 Feb. 17 (15)	<i>From the Minister in Switzerland (tel.)</i> Minister's request to George R. Coxe, assistant customs representative at Zürich, that he refrain from using the title of "assistant customs attaché," pending accomplishment of the customary formalities under instructions from the Department.	732
Feb. 19 (7)	<i>To the Minister in Switzerland (tel.)</i> Information that an act approved January 13 provides for customs attachés, and that they shall be "regularly and officially attached to diplomatic missions." Approval of Minister's action in requesting Coxe to withhold use of the new title temporarily.	733

TURKEY

DISCLAIMER BY THE SECRETARY OF STATE OF AMERICAN INTEREST IN TURKISH GOLD DEPOSITS SURRENDERED BY GERMANY TO THE REPARATION COMMISSION

Date and number	Subject	Page
1925 Feb. 5	<i>From the Chairman of the Senate Committee on Foreign Relations</i> Senate Resolution No. 319, introduced January 26 (text printed), by which the President would be requested to represent to the Allied Powers that the United States has an interest in a deposit of so-called Turkish gold and has a right to be consulted regarding its disposition.	734
Feb. 21	<i>To the Chairman of the Senate Committee on Foreign Relations</i> Department's conclusion, after consideration of the question in 1923, that the United States had no proprietary interest in or claim to the sums in question which it could properly assert.	735

YUGOSLAVIA

OBJECTION BY THE DEPARTMENT OF STATE TO FURTHER LOANS BY AMERICAN BANKERS TO YUGOSLAVIA PENDING SETTLEMENT OF YUGOSLAV DEBTS TO THE UNITED STATES GOVERNMENT

1925 Mar. 18	<i>From Blair & Company, Incorporated</i> Inquiry if the Department has any objection to the flotation in the United States of an issue of \$3,000,000 of notes of the Yugoslav Government, to be dated as of March 31.	738
Mar. 20	<i>To Blair & Company, Incorporated</i> Information that the Department offers no objection to the flotation of the bond issue in the American market.	738
Sept. 12	<i>From Blair & Company, Incorporated</i> Inquiry if the Department has any objection to the flotation in the United States of an issue of \$3,000,000 of notes of the Yugoslav Government, to be dated as of September 30.	739
Sept. 17	<i>From Blair & Company, Incorporated</i> Supplementary information regarding the proposed issue to be dated as of September 30, and request for prompt advice as to the Department's attitude in regard to this issue.	739
Sept. 18	<i>To Blair & Company, Incorporated</i> Statement, in reply to the company's note of September 12, that the U. S. Government does not view with favor Yugoslav financing at the present time.	740
Sept. 23	<i>To Blair & Company, Incorporated</i> Department's decision, in view of information that the company is committed to the Yugoslav Government in respect of the financing in question, not to interpose objection to the purchase and sale of the \$3,000,000 notes in question; maintenance of position, however, that objection will be offered to any further renewal or extension of credit until satisfactory refunding of the Yugoslav debt to the United States has been made.	740
Sept. 25 (2815)	<i>From the Minister in the Kingdom of the Serbs, Croats and Slovenes</i> Report of discussion with Blair & Co.'s representative in Yugoslavia; telegrams from the company to its representative, September 21 and 22 (texts printed), regarding the State Department's attitude in connection with the proposed issue of notes.	741

YUGOSLAVIA

OBJECTION BY THE DEPARTMENT OF STATE TO FURTHER LOANS BY AMERICAN BANKERS TO YUGOSLAVIA PENDING SETTLEMENT OF YUGOSLAV DEBTS TO THE UNITED STATES GOVERNMENT—Continued

Date and number	Subject	Page
1925 Oct. 9	<i>From Blair & Company, Incorporated</i> Explanation of certain points with respect to the contemplated financing; information that the company has written to the Yugoslav Government regarding the advisability of that Government's making an early effort to reach an understanding with the World War Foreign Debt Commission as to the refunding of its debt to the United States.	743
Oct. 17	<i>To Blair & Company, Incorporated</i> Assertion that the Department's position remains as stated in its letter of September 23.	746

CUBA

RATIFICATION OF THE TREATY OF MARCH 2, 1904, BETWEEN THE UNITED STATES AND CUBA FOR THE ADJUSTMENT OF TITLE TO THE OWNERSHIP OF THE ISLE OF PINES

837.014P/324

Senator Joe T. Robinson to the Secretary of State

[WASHINGTON,] *December 31, 1924.*

MY DEAR MR. SECRETARY: In making a study of the proposed treaty between the United States and Cuba relating to the Isle of Pines,¹ which treaty it appears to me should be ratified, I find that one Senator takes the position that the treaty making power cannot dispose of property belonging to the United States, or divest our Government of sovereignty over any part of its territory.

I understand that about December, 1904, Secretary Hay addressed a communication to Representative Jenkins, of Wisconsin, bearing upon this phase of the subject, and I would like to be furnished with a copy of this communication for use in preparing to advocate the ratification of the treaty.

With personal regards [etc.]

JOE T. ROBINSON

837.014P/324

The Secretary of State to Senator Joe T. Robinson

WASHINGTON, *January 2, 1925.*

MY DEAR SENATOR ROBINSON: I have received your letter of December 31, 1924, regarding the proposed treaty between the United States and Cuba relating to the Isle of Pines in which you state you understand that about December 1904 Secretary Hay addressed a communication to Representative Jenkins bearing upon the question whether by this treaty the treaty-making power of the United States is disposing of property belonging to the United States or is divesting the Government of sovereignty over any part of its territory.

In reply I take pleasure in enclosing herewith a copy of a letter addressed to Representative J. J. Jenkins on December 15, 1903, which is I think the letter to which you refer. I am also enclosing a memorandum regarding the status of the Isle of Pines.

¹ Treaty of Mar. 2, 1904, p. 11.

In this connection I should like to draw your attention to the following:

The opinion of the Supreme Court of the United States in *Pearcy v. Stranahan*, 205 U. S. 257, is significant, not only as a judicial decision disposing of the question before the Court, but as expressing the views of Mr. Justice William R. Day who concurred in that opinion. Judge Day, then Secretary of State, signed the protocol of August 12, 1898, embodying the basis for the establishment of peace and he was the head of the United States delegation which signed the Treaty of Peace with Spain on December 10, 1898.² No one who had the privilege of knowing Judge Day would doubt for a moment that when he concurred in the opinion of the Court, delivered by Chief Justice Fuller in *Pearcy v. Stranahan*, he believed that opinion to be a correct statement of the status of the Isle of Pines. You thus have in the opinion of the Supreme Court the deliberate judgment of the distinguished jurist who negotiated the treaty as to what it meant in this particular. You will readily understand how careful Judge Day would have been, in view of his connection with the negotiation of the Treaty, that no error should be made in anything that the Court might say about it.

It is in this view that the following paragraph in the opinion is of especial importance, (p. 266) :

“In short, all the world knew that it was an integral part of Cuba, and in view of the language of the joint resolution of April 20, 1898, it seems clear that the Isle of Pines was not supposed to be one of the ‘other islands’ ceded by Article II. Those were islands not constituting an integral part of Cuba, such as Vieques, Culebra and Mona Islands adjacent to Porto Rico.”

I think, therefore, that the argument that the Isle of Pines was ceded to the United States by the Treaty of Peace is without foundation. The Island belonged to Cuba, and, as the Supreme Court said (p. 272) while the sixth clause of the Platt Amendment “gave opportunity for an examination of the question of ownership and its settlement through a treaty with Cuba”, Congress “has taken no action to the contrary of Cuba’s title as superior to ours.”

The Treaty, as you are doubtless aware, contemplates the relinquishment by the United States in favor of Cuba of all claim of title to the island, thus providing, in the opinion of this and preceding administrations, an equitable solution of a problem of many years’ standing. The present undetermined status of the Isle of Pines constitutes one of the few remaining questions capable of prejudicing the intimate relations between the United States and Cuba, and it is my earnest hope that the Senate in its present session will give its consent to the ratification of the Treaty.

² For texts of protocol and treaty, see *Foreign Relations*, 1898, pp. 828 and 831.

Permit me to emphasize the following points: The failure to ratify the Treaty would not give the Island to the United States. To accomplish that purpose it would be necessary to negotiate another treaty with Cuba, but I am satisfied that Cuba would not consent to relinquish the Island. It would be a waste of money to attempt to buy it and the considerations which appeal to Cuba would, in my judgment, preclude her from putting the matter upon a pecuniary basis. She considers herself entitled to the Island and looks to the United States to perform an act of justice. The failure of the Treaty, then, would simply leave the status of the Island unsettled; it would still remain under Cuban administration; and we should have stirred up ill-feeling. While we cannot obtain the Island for ourselves by refusing to ratify the Treaty, we can by its ratification put an end to an unpleasant question and strengthen the bonds of friendship between the two peoples.

I am [etc.]

CHARLES E. HUGHES

[Enclosure 1]

*The Acting Secretary of State to Representative J. J. Jenkins,
Chairman of the House Judiciary Committee*

WASHINGTON, December 15, 1903.

SIR: The President has referred hither a copy of your letter to him of the 9th instant, inclosing a copy of a resolution with respect to the Isle of Pines introduced in the House of Representatives on the preceding day, which reads as follows:

“Whereas it is commonly reported that a treaty negotiated between the President of the United States and the Republic of Cuba granting and ceding the Isle of Pines to the Republic of Cuba is pending in the Senate of the United States for ratification or rejection; and

“Whereas by the terms of the treaty of Paris the Kingdom of Spain relinquished sovereignty over the Isle of Pines as part of the Island of Cuba; and

“Whereas by the action of this Government in establishing and recognizing the independence of the Republic of Cuba it was expressly provided that the Isle of Pines should not be within the constitutional boundary of that Republic; and

“Whereas this Government has been administering the affairs and exercising sovereignty over the Isle of Pines ever since the treaty of Paris was ratified; and

“Whereas section three of article four of the Constitution of the United States provides that ‘the Congress shall have power to dispose of and make all needful rules and regulations respecting the territory and other property of the United States’: Therefore,

“Resolved, That the Committee on the Judiciary be instructed to inquire into the facts hereinbefore recited and report to this House as soon as practicable:

“First. Whether the Isle of Pines is ‘territory or other property belonging to the United States’ within the sense and meaning of the Constitution.

“Second. Whether a treaty granting and ceding territory of or belonging to the United States to a foreign government without action on the part of Congress is authorized by the Constitution.

“*Resolved*, That the Committee on the Judiciary may report at any time under the foregoing resolution.”

Your letter invites a hearing of the Departments severally concerned in the constitutional and diplomatic questions involved in the negotiation for the relinquishment in favor of the Republic of Cuba of any title that the United States may have to the Isle of Pines under the Treaty of Peace between the United States and Spain.

So far as the Department of State is concerned, the question is as to its power and authority to negotiate the pending treaty with Cuba whereby the United States of America relinquishes in favor of the Republic of Cuba all claim of title to the Isle of Pines, situate in the Caribbean Sea near the southwestern part of the Island of Cuba, which has been or may be made in virtue of Article II of the Treaty of Peace between the United States and Spain, signed in the City of Paris on the tenth day of December eighteen hundred and ninety-eight.

Article I of the Treaty of Peace with Spain provides that: “Spain relinquishes all claim of sovereignty over and title to Cuba” subject to its temporary occupation by the United States. Article II reads:

“Spain cedes to the United States the Island of Porto Rico and other islands now under Spanish sovereignty in the West Indies and the Island of Guam in the Marianas or Ladrões.”

In this manner, Spain divested herself of title and claim of title to all her West Indian possessions—not merely as to the mainland of the respective islands of Cuba and Porto Rico but as to all the islands, islets, keys and rocks pertaining to either island. As a historical fact, Spain, at the time of concluding the Treaty of Peace, possessed no territory in the West Indies which was not included in or dependent upon the administrative jurisdiction of the one or the other of the main islands named.

Under Spanish rule Cuba and Porto Rico each constituted an administrative province or district, styled a Gobierno General and administered by a Governor-General. The Gobierno of Porto Rico included the outlying islands of Culebra and Vieques and all adjacent islets and keys. The Gobierno of Cuba embraced the numerous islands and keys stretching in almost continuous chains along more than one-third of the insular coast, and lying at varying distances therefrom, much as Key West and the Dry Tortugas jut from the

Florida peninsula, or as Nantucket and Santa Catalina lie off the mainland of Massachusetts and California.

The Isle of Pines is not specifically mentioned in the Treaty of Peace. The first statutory reference to it, subsequent to the Treaty of Peace, is found in the so-called Platt Amendment to the Army Appropriation Act, approved March 2, 1901. That Amendment, in laying down the general conditions under which the military occupation of Cuba should cease and the future relations of the United States with Cuba should be determined, provided among other terms:

“That the Isle of Pines shall be omitted from the proposed constitutional boundaries of Cuba, the title thereto being left to future adjustment by treaty.”

The Constitution of Cuba, thus spoken of in the future tense, had in fact been adopted February 21, 1901, eleven days before the Platt Amendment became law. By the 2nd Article the constitutional boundaries of Cuba were thus defined:

“Article 2. The territory of the Republic is composed of the Island of Cuba, as well as the adjacent islands and keys, which, together therewith, were under the sovereignty of Spain until the ratification of the Treaty of Paris on December 10, 1898.”

To meet the requirements of the Platt Amendment, a change became necessary in this regard, as well as in some other respects, and, accordingly, the Constitutional Convention of the Republic of Cuba, on June 12, 1901, added an Appendix to the Constitution of Cuba, substantially in the terms of the Platt Amendment. The Sixth Article of that Appendix reads:

“Article VI. The Island of Pines shall be omitted from the boundaries of Cuba specified in the Constitution, the title and ownership thereof being left to future adjustment by treaty.”

The law of the United States and the Constitution of Cuba are thus brought into perfect accord so far as the ownership of the Isle of Pines is concerned. Each party waives claim thereto, subject to the attainment of a mutual conventional understanding. The Congress of the United States has expressly relegated to the treaty making power the duty of adjusting the title to the Isle of Pines. The Cuban Constitutional Convention, having by Article II of the Constitution declared all the adjacent islands and keys to be part of the territory of the Republic, subsequently amended the Constitution by specifically omitting the Isle of Pines from that enumeration and leaving the ownership thereof to be adjusted by treaty.

A peculiar situation thus confronted the treaty making power of the two countries. Neither claimed the sovereignty of the Isle of

Pines. The Act of March 2, 1901, estopped the United States from an *ex parte* assertion of ownership under the provisions of Article II of the Treaty of Peace, by requiring the agreement of Cuba thereto. The Cuban Constitution waived, with similar condition, such an assertion on the part of the Republic. The supreme law of each nation made it mandatory upon its executive to seek a conventional adjustment of the matter with the other, in accordance with the facts and the equities of the case. Neither party was in a position, as self-declared and recognized master of the territory in question, to cede or grant it to the other. No such extreme condition interposed to tax the national sentiment of either. All that became incumbent upon the two governments was to agree whether, under the terms of Article I of the Treaty of Peace between the United States and Spain, the Isle of Pines was territorially embraced in the generic denomination of "Cuba" and as such came within the Spanish relinquishment of sovereignty and title thereto; or whether, finding that the Isle of Pines was not a part of the Cuban domain, under Spanish rule, it fell within the alternative enumeration of "other islands" than Cuba and Porto Rico then under Spanish sovereignty in the West Indies, and, as such, was ceded to the United States by Article II of the Treaty of Peace.

Thus presented, the question before the negotiators was simplified. There was no possible doubt as to the antecedent status of the Isle of Pines. Its past and present history made it difficult to be differentiated from the "Cuba" of Article I of the Treaty of Peace and to be constructively regarded as one of the "other islands" embraced in the intentment of Article II. For centuries it had been an integral part of the gubernative domain of Cuba. Politically and judicially it pertained to the municipal jurisdiction of Habana, being an ayuntamiento or municipal district of the judicial district of Becujal, in the Province of Habana. Its inhabitants voted for municipal officers as citizens of Habana. They cast their votes in like manner for Deputies to the national Cortes at Madrid. They were identified with the people of Cuba, and this merger of their franchises and interests continued under the military occupation of Cuba by the United States, but with some enlarged and purely local municipal privileges. Under the general orders of the United States military governor, they voted in the general election for a delegate to the Constituent Assembly, casting their votes as belonging to the Third Circuit of the Province of Habana, and thus shared in framing and adopting the Constitution of the Republic of Cuba. They subsequently voted in the same manner for Presidential electors. In short, the weightier considerations led to the conclusion that (as well phrased in the preamble to the Resolution submitted in the House of Representatives on December

8, 1903) "by the terms of the treaty of Paris the Kingdom of Spain relinquished sovereignty over the Isle of Pines as part of the Island of Cuba", and that in virtue of such relinquishment, as distinguished from the cession of other islands in the West Indies, the Isle of Pines was to be deemed an integral part of the territory over which, in pursuance of the Resolution of Congress of April 20, 1898, the relinquishment of Spain's authority and Government had been demanded, and which territory, in obedience to the same mandate of law, the United States in due time ceased to occupy and turned over to the people of Cuba. By like mandate of law, it became the duty of the treaty making power to declare this conclusion and give it effect by a treaty which should adjust the title to the Isle of Pines.

A treaty was accordingly negotiated under and within the statutory powers conferred by the law of each country.^{2a} It is now pending before the Senate of the United States. While its text has not been made public, it is proper to the purposes of this report to say that its terms do not stipulate for "granting and ceding the Isle of Pines to the Republic of Cuba", as recited in the Resolution now submitted in the House of Representatives. It simply relinquishes in favor of the Republic of Cuba whatever claim of title has been or may be made in virtue of the stipulations of Article II of the Treaty of Peace of December 10, 1898.

I have [etc.]

ALVEY A. ADEE

[Enclosure 2]

Memorandum of the Department of State on the Status of the Isle of Pines^{2b}

The Isle of Pines is situated about fifty miles from the coast of Cuba, and, therefore, as was indicated by the Supreme Court of the United States in its opinion in the case of *Pearcy versus Stranahan*, 205, U. S. 257, under the principles of international law applicable to such coasts and shores as those of Florida, the Bahamas, and Cuba, it would ordinarily be regarded as an integral part of Cuba.

^{2a} The first treaty by which the United States relinquished claim to the Isle of Pines was signed on July 2, 1903 (not printed), and submitted to the Senate on Nov. 10, 1903. Injunction of secrecy was removed on Nov. 24, 1903. The treaty lapsed, as it carried a provision (article IV) that ratifications should be exchanged within seven months from date of signature and no final action was taken on it by the Senate within that period. A similar treaty not carrying any time limit was signed in Washington on Mar. 2, 1904 (*post*, p. 11), and submitted to the Senate on Mar. 3, 1904. The other articles of the two treaties are the same except that in article I of the treaty signed on Mar. 2, 1904, the clause "which has been or may be made in virtue of Articles I and II of the Treaty of Peace between the United States and Spain" replaces the clause "which has been or may be made in virtue of Article II of the Treaty of Peace between the United States and Spain" in the unratified treaty of July 2, 1903.

^{2b} Filed separately as file No. 837.014P/301a.

Prior to 1898 the Isle of Pines was a Spanish possession apparently governed as a municipal district of the Province of Habana, Cuba.

With respect to Cuba the Joint Resolution passed by the Congress of the United States April 20, 1898, provides (4) "That the United States hereby disclaims any disposition or intention to exercise sovereign jurisdiction or control over said island, except for the pacification thereof; and asserts the determination when that is accomplished to leave the government and control of the island to its people." (38 Stat. 378 [30 Stat. 738]).

The Treaty of Peace between the United States and Spain proclaimed April 11, 1899, makes no specific mention of the Isle of Pines, but by Article I of the Treaty, Spain relinquished all claim of sovereignty over and title to Cuba, and by Article II Spain ceded to the United States the Island of Porto Rico and other islands then under Spanish sovereignty in the West Indies, as well as the Island of Guam in the Marianas or Ladrones.

During the military occupation of Cuba by the United States the Isle of Pines was apparently administered as a municipal district of the Province of Habana. (Report of Census of Cuba published by War Department in 1900.)

When the Government of Cuba was turned over to the Cubans May 20, 1902, there was an exchange of communications between the Military Governor and the President of Cuba to the effect that the Isle of Pines was to continue *de facto* under the jurisdiction of the Government of Cuba, subject to treaty arrangements as to the future disposition of the island.

The Platt Amendment (Article VI) and Article VI of the Treaty of Cuba proclaimed July 2, 1904,^{2c} provide that the Isle of Pines shall be omitted from the proposed constitutional boundaries of Cuba "the title thereof being left to future adjustment by treaty." On March 2, 1904, a treaty was signed by which the United States relinquished all claim of title to the Isle of Pines under the said Treaty of Peace with Spain. The Senate of the United States has not yet consented to the ratification of this treaty.

It, therefore, appears that the United States has never taken possession of the Isle of Pines as having been ceded by the Treaty of Peace with Spain, and that the island has been uniformly governed by the Republic of Cuba since that Republic came into existence, the United States recognizing Cuba as rightfully exercising *de facto* sovereignty until otherwise provided for.

In the case of *Pearcy* versus *Stranahan*, before mentioned, the court considered that it was justified in assuming that the Isle of Pines had always been treated by the representatives in Cuba of the President

^{2c} *Foreign Relations*, 1904, p. 243.

of the United States as an integral part of Cuba. The court added that this was "no doubt to be expected in view of the fact that it was such at the time of the execution of the treaty and its ratification, and that the treaty did not provide otherwise in terms", to say nothing of the general principles of international law before mentioned.

The executive branch of the Government has apparently, as indicated by the treaty it concluded with Cuba March 2, 1904, and its other dealings with this subject above referred to, taken the ground that under the Treaty of Peace with Spain the Isle of Pines was not one of the "other islands now under Spanish sovereignty in the West Indies" and ceded to the United States by the treaty, but was an integral part of Cuba over which Spain relinquished claim to sovereignty by the treaty. In any event, the United States has undoubtedly indicated that it did not desire to assert any title to the Island under the Treaty of Peace with Spain, but wished to quit-claim in favor of Cuba any shadow of title it might have under that treaty.

It cannot be doubted that in adopting this attitude the Government of the United States was influenced by the proximity of the Island to Cuba and the consequently applicable principles of international law, and by the fact that the Isle of Pines had uniformly been administered as an integral part of Cuba.

The Secretary of State considers it desirable in the interest of relations between the United States and Cuba that the treaty before the Senate should be approved. The ratification of the treaty would leave the situation with respect to Cuban exercise of authority over the island as it is at the present time. Possible causes of friction between the two Governments would be obviated and the uncertainty in the minds of the inhabitants of the island as to its status would be removed.

It is true that a certain amount of opposition to the ratification of this treaty exists in the minds of persons who fear that their interests in the island will be imperiled in the event that this Government definitely renounced all claim of title to the Isle of Pines. The opponents of the treaty contend that American citizens were encouraged to purchase land in the island and to settle there by statements of the United States Government officials, either verbal or in writing, to the effect that the Isle of Pines was United States territory. The opponents of the treaty, furthermore, assert that as a consequence of such assurances large numbers of American citizens acquired property in the island and have made their homes there, believing that they would reside under the jurisdiction of the United States, and they therefore contend that the act of the Government in permitting Cuba to exercise control over the island, and its intention, as expressed in the treaty, to renounce any claim which it may have of

title thereto, constitute a breach of good faith and a betrayal of the interests of those American citizens who reside or possess property in the island. There is no foundation for this contention.

The written statements attributed to Government officials affirming the sovereignty of the United States over the Island consist, so far as I am aware, entirely of letters written in 1899 and 1900, in answer to inquiries on the subject, by the then Assistant Secretary of War, Mr. G. D. Meiklejohn, or by his direction. It should be observed in this connection that Mr. Meiklejohn had no authority to speak for the Government of the United States in the matter or to bind the Government of the United States by anything he saw fit to say on the subject. (Page 16, Senate Document No. 205, 59th Congress, 1st Session, entitled "Adjustment of Title to the Isle of Pines"). The oral statements said to have been made by United States government officials are not of record and cannot therefore be considered as evidence.

On the other hand, attention is called to the fact that the Isle of Pines was particularly and definitely regarded and treated as a municipality of the Province of Habana by the United States when it took the census of Cuba under order of President McKinley, dated August 17, 1899. The report of that census states in part: "The Government of Cuba has jurisdiction not only over the island of that name, but also over the Isle of Pines lying directly south of it . . .", and further, "The total population of Cuba, including the Isle of Pines and neighboring keys was, on October 16, 1899, 1,572,797." As stated by Senator Foraker on page 6 of his report contained in Senate Document No. 205, *supra*:

"Attention is particularly called to the fact that this census, taken subsequent to August, 1899, shows that at the time when it was taken there were in the Isle of Pines only 14 persons who were natives of any other country than Cuba or Spain. Practically all of the protestants must, therefore, have gone to the Isle of Pines subsequent to the taking of that census, and therefore with full knowledge that the Isle of Pines was being regarded and treated, for governmental purposes, as belonging to Cuba and as a part thereof. If the 14 persons citizens of other countries than Spain and Cuba were citizens of the United States, they should have taken notice of the fact that they were enumerated as foreigners, which of itself indicated that the Isle of Pines was not domestic territory of the United States."

With regard to the statement of opponents of the treaty that the business and property of American citizens residing in the Isle of Pines will be denied proper protection, in the event that Cuba acquires by treaty complete jurisdiction over the island, it should be observed that Article III of the treaty provides that:

"Citizens of the United States of America, who, at the time of the exchange of ratifications of this treaty, shall be residing or holding

property in the Island of Pines, shall suffer no diminution of the rights and privileges which they have acquired prior to the date of exchange of ratifications of this treaty; they may remain there or may remove therefrom, retaining in either event all their rights of property, including the right to sell or dispose of such property or of its proceeds; and they shall also have the right to carry on their industry, commerce, and professions being subject in respect thereto to such laws as are applicable to other foreigners.”

In this relation, it may be observed that for years past Cuba has exercised complete jurisdiction over the Isle of Pines.

837.014P/371a : Telegram

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

WASHINGTON, *March 13, 1925—6 p. m.*

38. The Senate today gave its advice and consent to the ratification of the Isle of Pines treaty on a substitute resolution of Senator Borah providing that an exchange of notes at the time of the exchange of ratifications shall stipulate that the treaty proclaimed July 2, 1904, between the United States and Cuba shall apply to the Isle of Pines and that “other foreigners” in Article III of the treaty shall be understood to mean those foreigners who receive the most-favored-treatment from Cuba. Text of the resolution will be cabled to you tomorrow.

KELLOGG

Treaty Series No. 709

*Treaty Between the United States of America and Cuba, Signed at Washington, March 2, 1904*³

The United States of America and the Republic of Cuba, being desirous to give full effect to the sixth Article of the Provision in regard to the relations to exist between the United States and Cuba, contained in the Act of the Congress of the United States of America, approved March second, nineteen hundred and one, which sixth Article aforesaid is included in the Appendix to the Constitution of the Republic of Cuba, promulgated on the 20th day of May, nineteen hundred and two and provides that “The island of Pines shall be omitted from the boundaries of Cuba specified in the Constitution, the title of ownership thereof being left to future adjustment

³ In English and Spanish; Spanish text not printed. Ratification advised by the Senate, with reservation, Mar. 13, 1925; ratified by the President Mar. 23, 1925; ratified by Cuba Mar. 18, 1925; ratifications exchanged at Washington, Mar. 23, 1925; proclaimed by the President Mar. 24, 1925.

by treaty;" have for that purpose appointed as their Plenipotentiaries to conclude a treaty to that end:

The President of the United States of America, John Hay, Secretary of State of the United States of America; and

The President of the Republic of Cuba, Gonzalo de Quesada, Envoy Extraordinary and Minister Plenipotentiary of Cuba to the United States of America;

Who, after communicating to each other their full powers, found in good and due form, have agreed upon the following Articles:

ARTICLE I

The United States of America relinquishes in favor of the Republic of Cuba all claim of title to the Island of Pines situate in the Caribbean Sea near the southwestern part of the Island of Cuba, which has been or may be made in virtue of Articles I and II of the Treaty of Peace between the United States and Spain, signed at Paris on the tenth day of December eighteen hundred and ninety-eight.

ARTICLE II

This relinquishment, on the part of the United States of America, of claim of title to the said Island of Pines, is in consideration of the grants of coaling and naval stations in the Island of Cuba heretofore made to the United States of America by the Republic of Cuba.

ARTICLE III

Citizens of the United States of America who, at the time of the exchange of ratifications of this treaty, shall be residing or holding property in the Island of Pines shall suffer no diminution of the rights and privileges which they have acquired prior to the date of exchange of ratifications of this treaty; they may remain there or may remove therefrom, retaining in either event all their rights of property, including the right to sell or dispose of such property or of its proceeds; and they shall also have the right to carry on their industry, commerce and professions being subject in respect thereof to such laws as are applicable to other foreigners.

ARTICLE IV

The present treaty shall be ratified by each party in conformity with the respective Constitutions of the two countries, and the ratifications shall be exchanged in the City of Washington as soon as possible.

In witness whereof, We, the respective Plenipotentiaries, have signed this treaty and hereunto affixed our seals.

Done at Washington, in duplicate, in English and Spanish this second day of March one thousand nine hundred and four.

JOHN HAY [SEAL]

GONZALO DE QUESADA [SEAL]

Treaty Series No. 709

Senate Resolution Advising and Consenting to the Ratification of the Treaty of March 2, 1904

MARCH 13, 1925.

RESOLVED (*Two-thirds of the Senators present concurring therein*), That the Senate advise and consent to the ratification of the Treaty with Cuba signed at Washington, D. C., on the second day of March, 1904, for the adjustment of title to the ownership of the Isle of Pines, subject to the following reservation and understanding to be set forth in an exchange of notes between the High Contracting Parties so as to make it plain that this condition is understood and accepted by each of them:

1. That all the provisions of existing and future treaties, including the Permanent Treaty proclaimed July 2, 1904, between the United States of America and the Republic of Cuba shall apply to the territory and the inhabitants of the Isle of Pines.

2. The term "other foreigners" appearing at the end of Article III shall be construed to mean foreigners who receive the most favorable treatment under the Government of Cuba.

Attest:

GEORGE A. SANDERSON, *Secretary*
By H. W. CRAVEN, *Chief Clerk*

837.014P/381b

The Secretary of State to the Cuban Ambassador (Torriente)

WASHINGTON, *March 17, 1925.*

EXCELLENCY: I have the honor to inform you that on March 13, 1925, the Senate advised and consented to the ratification of the Treaty between the United States and Cuba, signed on March 2, 1904, for the adjustment of title to the ownership of the Isle of Pines, subject to the following reservation and understanding to be set forth in an exchange of notes between the high contracting parties so as to make it plain that the reservation and condition are understood and accepted by each of them:

[Here follows the text of the reservation and understanding contained in the Senate resolution, printed *supra*.]

I am glad to assure you, by direction of the President, that this note will be considered as sufficient acceptance by the Government of the United States of the reservation and understanding quoted, and I beg to express the hope that they will also be accepted by your Government. An acknowledgment of this note, accepting, by direction and on behalf of your Government, the said reservation and understanding, will be considered as completing the required exchange of notes and the acceptance by both Governments of the reservation and understanding.

Accept [etc.]

FRANK B. KELLOGG

837.014P/381

The Cuban Ambassador (Torriente) to the Secretary of State

[Translation]

WASHINGTON, *March 18, 1925.*

EXCELLENCY: I have the honor to acknowledge the receipt of Your Excellency's note dated March 17, 1925, in which you were pleased to inform me that on the 13th day of this month of March the Senate advised and consented to the ratification of the Treaty between the United States and Cuba, signed on March 2, 1904, for the adjustment of title to the ownership of the Isle of Pines, subject to the reservation and interpretation which is set forth in your note, the translation of which follows hereinbelow.

I take pleasure in informing Your Excellency that, being duly authorized thereto by the Senate of Cuba, the President has empowered me to accept in behalf of my Government, as I hereby do, the following reservations to the above-mentioned Treaty, thus completing the exchange of notes required in this case, namely:

[Here follows the text of the reservation and understanding contained in the Senate resolution, printed on page 13.]

I avail myself [etc.]

COSME DE LA TORRIENTE

NEGOTIATIONS BETWEEN THE UNITED STATES AND CUBA FOR TREATIES REGARDING CONSULAR RIGHTS, EXTRADITION, AND SMUGGLING

711.3721/—

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

No. 968

HABANA, *January 8, 1925.*

[Received January 13.]

SIR: I have the honor to report to the Department that quite recently the Minister of Foreign Affairs of Cuba approached this

Embassy as to the advisability of negotiating a Consular Treaty between the two countries. In the conversation which ensued I invited his attention to the fact that a Treaty of this general character had been drafted by the Fourth Pan-American Conference, held at Buenos Aires in 1910; ⁴ that subsequent thereto I had signed, with Mr. Wilbur Carr now Assistant Secretary of State, a memorandum on this general subject; and that I was unaware whether the said Treaty had been ratified by any of the twenty-one [*sic*] Republics participating in said conference, or as to the action taken on the memorandum above referred to.

I respectfully request that the Embassy be furnished English copies (not procurable here) of said Treaty and memorandum and, likewise, information as to whether the Department deems it opportune at this moment to enter upon negotiations with the Cuban Government of the character referred to. I was a member of the Fourth Pan-American Conference in 1910 and of the Committee thereof which dealt with consular administration of the several countries. I recall the wide diversity as to consular requirements respecting shipments which the study of the Committee revealed and likewise the urgent necessity which, in the minds of the Committee, existed for a Treaty which would introduce greater uniformity in this regard.

I have [etc.]

E. H. CROWDER

711.379/orig.

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

No. 420

WASHINGTON, *February 2, 1925.*

SIR: I enclose two copies of a Convention between the United States and Canada, signed on June 6, 1924, to aid in suppressing smuggling operations along the boundary between the two countries and in the arrest and prosecution of persons violating the narcotic laws of either Government.⁵ On December 12,⁶ 1924, the Senate gave its advice and consent to the ratification of the Convention and removed the injunction of secrecy from it.

I also enclose two copies of a statement issued to the press on January 8, 1925,⁷ with regard to the treaty between the United States and Canada, signed on January 8, 1925, with respect to extradition

⁴ No consular treaty appears to have been drafted at the Fourth International Conference of American States; see 4th paragraph of Department's instruction No. 442, Mar. 11, 1925, to the Cuban Ambassador, p. 17. For correspondence concerning the Fourth International Conference, see *Foreign Relations*, 1910, pp. 12 ff.

⁵ *Ibid.*, 1924, vol. I, p. 189.

⁶ Legislative day December 10.

⁷ Not printed.

of persons charged with having violated the narcotic laws of either Government.

A copy of a despatch dated December 13, 1924, received from the American Consul General at Habana, setting forth the extent to which Cuban ports are used in smuggling intoxicating liquors into the United States, is enclosed.^{7a}

According to information received from other sources it seems that smuggling operations are carried on extensively from Cuba, not only with respect to intoxicating liquors but with respect to narcotics, aliens and goods subject to the payment of customs charges in the United States. It is believed that it would be of assistance to the officers of the United States engaged in enforcing the laws with regard to prohibition, narcotic drugs, immigration and the collection of customs dues if a Convention could be concluded with Cuba similar to that signed by representatives of the United States and Canada on June 6, 1924. There would seem to be no reason for including in such a convention provisions similar to Articles 6 and 7 of the Convention with Canada signed on June 6, 1924. Changes of phraseology would also be necessary in the other articles, as there is no "international boundary" between the two countries. Amendments to Article 4 to include the exchange of information concerning the names and activities of persons known or suspected to be engaged in violation of the customs, liquor and immigration laws of the United States or of Cuba would be desirable.

As it also appears that there is no extradition treaty with Cuba covering crimes and offenses against the laws for the suppression of traffic in narcotics, it is suggested that it would be desirable to endeavor to negotiate an extradition treaty with Cuba covering this subject. Two copies of the Extradition Treaty concluded between the United States and Cuba on April 6, 1904 are enclosed.⁸ A copy of a similar Convention concluded with Canada is enclosed for your confidential information.⁹

You are instructed to bring this matter to the attention of the Cuban Government with a view to ascertaining whether the Cuban Government is disposed to conclude similar conventions with the United States. It is earnestly hoped that Cuba will favorably consider the matter and you will telegraph the Department as soon as you receive a reply.

On account of the extent to which it appears that smuggling operations are now being carried on from Cuba, you will suggest to the Cuban authorities that they consider whether greater surveillance can be exercised over clearances of vessels and the cargoes car-

^{7a}Not printed.

⁸*Foreign Relations*, 1905, p. 280.

⁹Vol. I, p. 542.

ried by them pending a determination with respect to the conclusion of these conventions.

For your confidential information it may be stated that on December 17, 1924, instructions were forwarded to the American Ambassador at Mexico City with a view to bringing about the conclusion of similar conventions with Mexico.¹⁰

I am [etc.]

CHARLES E. HUGHES

711.379/1 : Telegram

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

HABANA, February 11, 1925—1 p. m.

[Received 3:05 p. m.]

22. See my despatch 968, January 8. In discussing with the Cuban Secretary of State the conventions suggested in the Department's instruction 420, February 2, he also again referred to the desirability of negotiating a consular treaty. Does the Department wish to take any action?

CROWDER

711.379/1

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

No. 442

WASHINGTON, March 11, 1925.

SIR: The Department refers to your despatch No. 968, dated January 8, 1925, to the Department's instruction No. 420, dated February 2, 1925, and to your telegram No. 22, dated February 11, 1925, 1 P. M. concerning the negotiation by the United States and Cuba of a consular convention, a convention to suppress the smuggling of intoxicating liquors, narcotics, immigrants, and for other purposes, and a supplementary extradition convention providing for the extradition of persons charged with crimes and offenses against the laws for the suppression of the traffic in narcotics.

The Department has telegraphed you¹¹ that it is prepared to negotiate a consular convention with Cuba if the Cuban Government will agree to conclude the proposed extradition and smuggling conventions mentioned in the Department's instruction of February 2, 1925, and also conclude a convention with the United States to prevent the smuggling of intoxicating liquors similar to that concluded by the United States with Great Britain on January 23, 1924.

¹⁰ *Post*, p. 504.

¹¹ Telegram not printed.

With regard to the articles in a convention dealing with consular rights, the Department encloses copies of the articles on this subject from the convention signed by representatives of the United States and Germany on December 8, 1923.¹² On February 10, 1925, the Senate of the United States gave its advice and consent to the ratification of this convention with certain reservations which do not apply to the articles relating to consular rights.

In your despatch No. 968, dated January 8, 1925, you referred to a memorandum regarding consular administration which you had signed with Mr. Wilbur J. Carr, now Assistant Secretary of State. You stated that a treaty of a general character concerning consuls was drafted by the Fourth Pan American Conference held at Buenos Aires in 1910 and you requested English copies of the treaty and of the memorandum signed by you. The Department encloses a copy of the report signed by you and Mr. Carr "Upon Uniformity of Customs Regulations, Consular Certificates, and Invoices and Port Charges",¹³ which it is understood was prepared in connection with the Pan American Financial Conference in 1915.¹⁴ As the memorandum does not cover the usual subject matters dealt with in a consular convention and as the Department has drafted, on very careful consideration, the articles on this subject in the convention with Germany, signed on December 8, 1923, copies of which are enclosed,¹² it is believed that it would be inadvisable for you to make any further reference to the memorandum which you and Mr. Carr signed in continuing the discussion of the conclusion of a consular convention.

With regard to the proposed convention to suppress smuggling operations, you are informed that a similar convention, signed by the United States with Canada on June 6, 1924, was approved by the Canadian House of Commons on March 3, 1925.¹⁵

With regard to the proposed convention providing for extradition on account of crimes or offenses committed against the laws for the suppression of the traffic in narcotics, you are informed that on January 27, 1925, the Senate of the United States gave its advice and consent to the ratification of a similar Convention signed by the United States with Canada on January 8, 1925, and removed the injunction of secrecy from it. The Convention was approved by the Canadian House of Commons on March 3, 1925. Two copies of the convention are enclosed.¹⁶

With respect to the proposed convention for the prevention of smuggling of intoxicating liquors, the Department encloses two copies of

¹² *Foreign Relations*, 1923, vol. II, p. 29.

¹³ Not printed.

¹⁴ Held in Washington, May 24-29, 1915; see *Foreign Relations*, 1915, pp. 20 ff. and p. 1310.

¹⁵ *Ibid.*, 1924, vol. I, p. 189.

¹⁶ Vol. I, p. 542.

the convention concluded by the United States with the British Government on January 23, 1924,¹⁷ dealing with this question. You are instructed to propose to the Cuban Government that a similar convention be concluded between the United States and Cuba. In making this proposal you will point out that Cuban vessels engaged in legitimate commerce would receive the advantages provided by Article III of the Convention.

For your confidential information it may be stated that the Department is informed that the following vessels operating under the Cuban flag are engaged in smuggling intoxicating liquors into the United States:

Andres Garcia	Mentonette
Bermeo	Parmeo
Expreso	Paloma
Fantasma	Patria
G. H. Murray	Pepe Corcal
Lucinda	ex Cardenas
Maria	Riviera
Mary Beatrice	Yride.

You are instructed to telegraph the Department what the views of the Cuban authorities are with respect to these proposals.

I am [etc.]

FRANK B. KELLOGG

711.379/1

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

No. 446

WASHINGTON, March 18, 1925.

SIR: The Department refers to its instruction No. 442, dated March 11, 1925, concerning the negotiation of conventions between the United States and Cuba. On page 3 of that instruction reference was made to the Convention for the prevention of the smuggling of intoxicating liquors, concluded between the United States and Great Britain on January 23, 1924, and you were instructed to propose to the Cuban Government that a similar convention be concluded between the United States and Cuba.

In the second paragraph of Article IV of the Convention concluded on January 23, 1924, provision is made for referring cases of dispute to the Claims Commission established under the provisions of the Agreement for the Settlement of Outstanding Pecuniary Claims between the United States and Great Britain, signed at Washington on August 18, 1910.¹⁸ As a similar commission has not been established to consider the claims between the United States and Cuba,

¹⁷ *Foreign Relations*, 1924, vol. I, p. 158.

¹⁸ *Ibid.*, 1911, p. 266.

it is believed that a provision similar to that contained in the convention concluded on June 6, 1924, between the United States and Panama¹⁹ on this subject might be used in the convention with Cuba. The second paragraph of Article IV of the Convention concluded with Panama on June 6, 1924, provides that claims shall be referred to the Permanent Court of Arbitration at The Hague, described in the Convention for the Pacific Settlement of International Disputes, concluded at The Hague October 18, 1907. Two copies of the Convention with Panama are enclosed.²⁰

In discussing the proposed Convention to prevent the smuggling of intoxicating liquors, you will therefore suggest that in drafting the second paragraph of Article IV of the Convention, phraseology similar to that used in the second paragraph of Article IV of the Convention with Panama, signed on June 6, 1924, be used.

Please keep the Department fully informed regarding further developments with respect to the negotiation of these conventions.

I am [etc.]

FRANK B. KELLOGG

711.379/4

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

No. 505

WASHINGTON, July 18, 1925.

SIR: Having reference to your despatch No. 1108 of June 18, 1925, and the Department's telegram of today's date,²¹ concerning the convention for the prevention of smuggling, you are informed that, during a conference held at El Paso with representatives of the Mexican Government a draft of a convention was agreed upon,^{21a} which is considered more advantageous to the United States than provisions of the Canadian Convention, signed June 6, 1924,²² forwarded to you with the Department's instruction No. 420 of February 2. These Articles read as follows:

"Quote. Article I. The High Contracting Parties agree that all shipments of merchandise crossing the International Boundary line between Mexico and the United States, originating in and consigned from either of the two countries, shall be covered by a shipper's export declaration, and a copy of same, verified by the customs officials of the country of origin, shall be furnished to the customs officials of the country of destination. It is agreed also that the appropriate officials of either country shall give such information as the appropriate officials of the other country may request concern-

¹⁹ *Foreign Relations*, 1924, vol. I, p. 192.

²⁰ *Ibid.*, 1907, pt. 2, p. 1181.

²¹ Neither printed.

^{21a} See convention between the United States and Mexico, signed Dec. 23, 1925, p. 510.

²² *Foreign Relations*, 1924, vol. I, p. 189.

ing the transportation of cargoes or the shipment of merchandise crossing the International Boundary line.

“Article II. The High Contracting Parties agree that clearance of shipments of merchandise by water, air or land from any of the ports of either country to a port of entrance of the other country shall be denied if such shipment comprises articles the introduction of which is prohibited or restricted for whatever cause in the country to which such shipment is destined, provided, however, that such clearance shall not be denied on shipments of restricted merchandise when there has been complete compliance with the conditions of the laws of both countries.

“It shall also be deemed to be the obligation of both of the High Contracting Parties to prevent by every possible means, in accordance with the laws of each particular country, the clearance of any vessel or other vehicle laden with merchandise destined to any port or place when there shall be reasonable cause to believe that such merchandise or any part thereof, whatever, may be its ostensible destination, is intended to be illegally introduced into the territory of the other Party.

“Article III. The High Contracting Parties reciprocally agree to exchange promptly all available information concerning the names and activities of all persons known or suspected to be engaged in violations of the laws of the United States or Mexico with respect to smuggling or the introduction of prohibited or restricted articles.

“Article IV. The High Contracting Parties agree that no merchandise or property of any character shall be authorized to be cleared or despatched out of either country, across the International Boundary line, except through ports or places duly authorized to clear such merchandise or property, and to or through duly authorized ports or places on the opposite side of said Boundary line; provided, that merchandise or property may be transported across said boundary line at any convenient place under special circumstances and after permits by both countries have been issued therefor.

“Article V. The High Contracting Parties agree that they will exchange all available information concerning the existence and extent of contagious and infectious diseases of persons, animals, birds or plants, and the ravages of insect pests and the measures being taken to prevent their spread. The parties will also exchange information relative to the study and use of the most effective scientific and administrative means for the suppression and eradication of such diseases and insect pests. Unquote.

Secretary of Labor requests that an agreement to prevent smuggling of aliens from Cuba be concluded similar to provisions agreed upon at El Paso. These Articles read as follows:

“Quote. Each of the High Contracting Parties agrees to employ all reasonable measures to prevent the departure of persons destined to territory of the other, except at or through regular ports or places of entry or departure established by the High Contracting Parties.

“The High Contracting Parties mutually agree that they will exchange information regarding persons proceeding to the country of

the other and regarding activities of any persons on either side of the border, when there is reasonable ground to believe that such persons are engaged in unlawful migration activities or in conspiracies against the other Government or its institutions, when not incompatible with the public interest. Unquote.

Please submit these Articles to the Cuban representatives confidentially and endeavor to have smuggling convention include these provisions.

I have [etc.]

For the Secretary of State:

JOSEPH C. GREW

711.379/14

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

No. 1166

HABANA, September 1, 1925.

[Received September 8.]

SIR: I have the honor to refer to the Department's instruction No. 422 [442] of March 11, 1925, transmitting certain articles, dealing with consular rights, from a convention signed by representatives of the United States and Germany on December 8, 1923.

It will be recalled that in the Department's instruction No. 458 of April 9, 1925,²³ the Embassy was authorized to defer the proposed treaty negotiations with Cuba until after the administration of General Machado had been established. Inasmuch, however, as it was the intention of this administration to retain Dr. Carlos Manuel de Céspedes as Secretary of State, I transmitted to him on May 5, 1925, drafts of the proposed treaties, among them the Consular Convention, in order that he might have an opportunity to study them in advance of the actual negotiations, which were to be taken up as soon as possible after the inauguration of the President on May 20, 1925. A copy of the suggested draft of the consular convention which was sent to Secretary Céspedes with my note of May 5, 1925, is to be found as Exhibit No. 2 of Enclosure No. 1²³ to this despatch.

The installation of the new administration naturally made delay in the consideration of current business inevitable, and the subsequent illness of Secretary Céspedes again deferred the negotiations. Finally, however, under date of August 22 [1925], 1925, I received a communication from Dr. Céspedes, a copy of which is transmitted herewith as enclosure No. 1,²³ which submitted certain comments on the draft convention submitted by the Embassy and enclosed a counter-draft for the consideration of the American Government.

²³ Not printed.

Informal discussions concerning the character of the changes proposed by the Cuban Government and the reasons therefor have been held with both Dr. Céspedes and Dr. Gutiérrez, the legal adviser of the Cuban Department of State. It appears that the Cuban Government is animated by certain very natural wishes in connection with the negotiation of the new treaties, and these wishes were frankly explained. In the first place, the Cuban Government feels that the Spanish texts of the treaties now in force between the United States and Cuba are obviously merely translations of the English texts and that the impression therefore conveyed to any one who studies these treaties is that the texts thereof were dictated by the United States and then literally translated into Spanish. Both Dr. Céspedes and Dr. Gutiérrez expressed the earnest desire that the texts of the new treaties being negotiated, and particularly that of the Consular Treaty, should be expressed in idiomatic Spanish as well as idiomatic English and that due regard should be had for Spanish phraseology.

A second point which was raised in connection with the Consular Treaty was the desire of the Cuban Government to make this convention a model convention—one which could be used as a basis not only for future treaties between Cuba and other foreign countries but also as a model for Latin-America in general.

Dr. Céspedes, during the course of our conversations, referred several times to Article II of Project No. 23 concerning consuls as prepared by the American Institute of International Law at the request of the Board of Directors of the Pan American Union. It appears that on March 6, 1925, the Board resolved to send this project to the Governments members of the Union²⁴ in order that their comments might be submitted to the Commission of Jurists which will meet at Rio de Janeiro on August 2, 1926.

It is the frankly expressed desire of the Cuban Government to conclude the negotiation, signature and ratification of the Consular Treaty with the United States prior to that date in order that Cuba may be able to present to the conference at Rio de Janeiro a *fait accompli* in the line of model consular conventions.

It is possible that the Department may be willing to concur in certain of the changes suggested by the Cuban Government as being more applicable to Latin-American countries whose penal codes are based on Spanish models and whose jurisprudence follows Latin rather than Anglo-Saxon practices.

I have [etc.]

E. H. CROWDER

²⁴ The resolutions were approved by the Governing Board on March 2; March 6 was the date of the letter of certification by the Secretary of the Governing Board; see *Codification of American International Law* (Washington, Pan American Union, 1925) p. 4.

211.37/25

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

No. 1176

HABANA, *September 11, 1925.*

[Received September 16.]

SIR: I have the honor to refer to the Department's instruction No. 532 of September 2, 1925,²⁵ in which I am directed to submit a complete report regarding the present status of the negotiations with respect to the proposed extradition convention.

With a communication dated May 5, 1925,²⁵ I transmitted to the Secretary of State of Cuba a draft convention for his consideration. This draft will be found as Enclosure No. 2 to a note of August 21, 1925, from Doctor Céspedes commenting on the American Government's proposals and submitting in return a counter-draft. Copy and translation of Doctor Céspedes note and its enclosures are transmitted herewith.²⁵ It will be observed that the Cuban Government desires to amplify the original proposals of the American Government by the inclusion of certain additional crimes. With reference to the expression "abusos deshonestos" referred to in Article I of the Cuban counter-draft, and which has been translated "immoral abuses", I requested the Cuban Foreign Office to furnish me with a definition of the meaning of this term. There is enclosed herewith copy and translation of a note from Doctor Céspedes, dated August 26, 1925,²⁵ furnishing the required explanations.

I have the honor to refer to my telegram No. 105 of August 28, 12 M.,²⁵ setting forth the Cuban desire to omit the word "offenses" and to confine the supplementary treaty to "crimes" (*delitos*) so as to emphasize the fact that misdemeanors (*faltas*) are excluded not only from the supplementary treaty, but from the original treaty. In its telegram No. 100 of September 3, 4 P. M.,²⁵ the Department informed me that it had no objection to the omission from the proposed supplementary extradition treaty of the words "and offenses", stating that, however, this omission, if made, could not be considered as altering obligations incurred by the existing extradition treaty. Acting on these instructions I sent a note to the Foreign Office on September 4, 1925, a copy of which is enclosed herewith.²⁵ There are enclosed herewith copy and translation of a note dated September 9, 1925,²⁵ expressing the concurrence of the Cuban Government in the statements made in my note.

With reference to the first sentence of the last paragraph of the second page of the Department's instruction No. 532 of September 2, 1925, I beg to state that I brought to the attention of the Cuban Government the desire of the American Government to include in

²⁵ Not printed.

the supplementary treaty violations of the customs laws of both countries. I enclose herewith copy and translation of a note dated September 10, 1925, from Doctor Céspedes²⁶ expressing the consent of the Cuban Government to comply with the Department's suggestion, but proposing certain changes in phraseology.

In considering, therefore, the text of the Cuban counter-draft (Enclosure No. 1)²⁶ there should be borne in mind the willingness of the Cuban Government to add, presumably as Paragraph No. 23 of Article II, the following provision:

"Infractions of the customs laws or ordinances which may constitute crimes".

I should be pleased to receive, as soon as may be convenient, instructions concerning the Department's attitude toward the changes which have been proposed by the Cuban Government.

I have [etc.]

E. H. CROWDER

211.37/25

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

No. 543

WASHINGTON, September 24, 1925.

SIR: The Department has received your despatch No. 1176 of September 11, 1925, containing a report regarding the present status of the negotiations respecting the proposed extradition convention between the United States and Cuba. You forwarded a counter-draft of the convention submitted by the Cuban Foreign Office, together with copy and translation of the Foreign Office note respecting the provisions of such counter-draft, including the proposition to cover certain additional crimes in the proposed convention, and you state that in view of a subsequent note from the Foreign Office it should be considered in examining the text of the Cuban counter-draft that the Cuban Government is willing to add, presumably as paragraph No. 23 of Article II, the following provision:

"Infractions of the customs laws or ordinances which may constitute crimes."

It is noted that the Foreign Office desires to designate the proposed convention as an additional protocol to the present extradition treaty, rather than as a supplementary convention as proposed by this Government. With respect to this point it may be observed that as the word "protocol" is used in this country, and generally so far as the Department is informed, it signifies an agreement between two foreign offices, whereas the proposed convention will necessarily, under the system of Government prevailing in the United States,

²⁶ Not printed.

be submitted to the Senate for its advice and consent, and dealt with in all respects like other treaty agreements made by this Government. Therefore the Department is clearly of the opinion that it would be more fitting to refer to the proposed convention as a supplementary extradition convention rather than as a protocol.

With relation to the proposed additional crimes to be included in the convention, and taking them in the order in which they are mentioned in the Cuban counter-draft, it may be observed that the crime of dishonest or immoral abuses is not known as such in the jurisprudence of the United States, and the term is so lacking in definitiveness that the Department would be reluctant to include it among the list of extraditable crimes.

It may further be said that the Department would have no objection to including among extraditable crimes abortion and seduction of minors. However, the term "corruption of minors" does not connote as such, an offense known to the jurisprudence of the United States, and the Department would prefer not to include an extraditable crime so broadly and indefinitely termed.

The Cuban Foreign Office proposes to include the crime of "embezzlement, this being understood to be the defraudation made by one person against another by means of deceit." While pointing out that embezzlement by public officers or depositaries and embezzlement by persons hired or salaried to the detriment of their employers are included among the extraditable crimes covered by the existing extradition treaty between the United States and Cuba, the Department may say that the crime quoted as contained in the Cuban proposal would seem to be covered by the following crime covered in paragraph No. 6 of Article II of the present treaty:

"Obtaining money, valuable securities or other personal property by false devices."

The following crime is also proposed by the Foreign Office for inclusion in the convention: "Commercial frauds and crimes committed as the result of suspensions of payments or bankruptcy." The Department is of the opinion that this proposal is not sufficiently definite and certain and would prefer that it be amended to read as follows:

"Crimes against bankruptcy law, if made criminal by the laws of both countries."

The Department is, of course, in accord with the proposal to include in the convention "crimes against the laws for the suppression of the traffic in narcotic products". Furthermore, the Department is willing to accept the Cuban proposal for the wording above quoted of the extraditable crime involving violations of the customs laws and regulations.

You will please bring the foregoing promptly to the attention of the Foreign Office and endeavor to conclude a convention in accordance with the desires of the Department as above expressed.

I am [etc.]

FRANK B. KELLOGG

211.37/30

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

No. 1217

HABANA, October 22, 1924 [1925].

[Received October 27.]

SIR: I have the honor to refer to the Department's telegram No. 114 of October 20th, 1 P. M.,²⁷ directing me to forward a copy of my note to the Cuban Foreign Office pursuant to the Department's instruction No. 543 of September 24th and a copy of the Cuban Government's reply thereto with reference to the negotiation of a supplementary extradition convention between the two countries.

In compliance with the Department's instruction I transmit herewith, as enclosure No. 1, copy of my note No. 556, dated September 30, 1925, on this subject, addressed to the Secretary of State of Cuba.²⁷ I likewise transmit herewith, as enclosure No. 2, a copy of Dr. Céspedes' note No. 1027, dated October 7, 1925,²⁷ in reply to my note.

It was readily apparent to me after studying Dr. Céspedes' note that the negotiation of the treaty was being unduly delayed because of the exchange of formal written correspondence. I therefore requested an interview, and on the morning of October 15th I had a long discussion with Dr. Céspedes and Dr. Gutierrez, his legal adviser, after which I sent the Department my telegram No. 123 of October 15, 3 P. M.²⁷

This morning I had a further conference with Dr. Céspedes, who now consents to the elimination of paragraph 20 of Article II of the Cuban counter-draft, which formed a part of enclosure No. 1²⁷ of my despatch No. 1176 of September 11, 1925, and which read:

"20. Embezzlement, this being understood to be the defraudation made by one person against another by means of deceit."

This was the point referred to in my telegraph No. 123 of October 15, 3 P. M., in the following words:

"It (the Cuban Government) insists further that the word 'estafa' be inserted in the Spanish text as the equivalent of embezzlement understanding as such obtaining money, valuable securities or other personal property by false devices."

Dr. Céspedes finally expressed the belief that the present extradition treaty covers under fair construction the offense sought to be

²⁷ Not printed.

made extraditable by said paragraph. I therefore request that the Department disregard so much of the previous correspondence as refers to that point, and of course the references thereto in Dr. Céspedes' note No. 1027 of October 7, 1925, which forms enclosure No. 2 of this despatch.

In considering this question Dr. Céspedes stated he felt it might be necessary for him to submit a note to the Embassy with reference to the Protocol Amending the Spanish Text of the Extradition Treaty of April 6, 1904,²⁸ in order that there might be no possibility of any doubt arising in Cuba of the inclusion of "estafa" as an extraditable offense. "Estafa" is a broader term than our words "embezzlement" or "larceny" and broader also than the phrase "obtaining money, etc. under false pretenses", and he expressed his agreement that it would be difficult to find an exact English equivalent for the qualified *estafa* which he wished to make an extraditable offense. He further said that he was of the opinion that the crime of qualified *estafa* could be made to appear as extraditable by changing the punctuation of paragraph 6 of Article II of the Protocol, where he apparently felt that the first two commas should be semicolons, as they are in the English text of the original treaty, and perhaps by changing other obscurities of the Spanish text arising out of improper punctuation.

I transmit herewith, as enclosure No. 3, a draft of the proposed Additional Extradition Treaty²⁹ in a form which according to the oral understanding arrived at with Dr. Céspedes is agreeable to his Government and which appears to me to be closely in accord with the views expressed by the Department. I should be pleased to receive the Department's comment on this draft.

I have [etc.]

E. H. CROWDER

711.379/32

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

No. 1225

HABANA, November 3, 1925.

[Received November 9.]

SIR: I have the honor to refer to my despatch No. 1220 of October 30, 1925,²⁹ transmitting a translation of the Cuban counter draft entitled "Convention between the Republic of Cuba and the United States of America for the Suppression of Smuggling".

In order that the Department may be in a position to compare this draft with the two previous American drafts, which it combines into a single counter proposal, there is transmitted herewith a comparison in parallel columns of the corresponding articles of these drafts.²⁹

²⁸ *Foreign Relations*, 1905, p. 280.

²⁹ Not printed.

The Department will observe that in general the tendency of the Cuban Government has been to amplify and to attempt to render more specific certain of the articles in question. In general I think that the Cuban Government has shown a sincere spirit of good-will in the negotiations, but I am not certain that all of their proposals will be entirely suitable to conditions prevailing in the United States. It should be observed that the first twelve articles of the Cuban draft convention have provisions corresponding to all of the provisions of the American draft entitled "Convention between the United States and Cuba to Suppress Smuggling Operations Between Their Respective Territories", with the exception of the provisions in Article V of the American draft to the effect that the High Contracting Parties would agree to refuse admission to aliens seeking entry into their territory when there was reason to suspect that such aliens were endeavoring to enter said territory for the purpose of subsequently effecting unlawful entry into the territory of the other High Contracting Party.

Articles XIII to XX, inclusive, of the Cuban counter draft correspond to the articles of the American draft entitled "Convention for the Prevention of Smuggling of Intoxicating Liquors into the United States". Here it will be noted that Article XIV of the Cuban counter draft departs substantially from the American draft in that it makes the right of search of vessels, et cetera, a reciprocal privilege instead of confining the same to a unilateral declaration on the part of Cuba as was suggested in the American draft, which in turn was based on the convention between the United States and Great Britain on this subject, signed at Washington on January 23, 1924. It should further be noted that Article XV of the Cuban counter draft provides for the submission of a report of the boarding or search of a vessel to the diplomatic and consular representatives of the nation under the flag of which the ship sails. Article XVIII of the Cuban counter draft, it will be noted, substitutes the Permanent Court of International Justice of The Hague, in the event that the United States should adhere to the protocol of December 16, 1920,³⁰ for the Permanent Arbitration Tribunal mentioned in the American draft.

I shall defer discussing with the Cuban Government Article I of the American draft as instructed in the Department's instruction No. 566 of October 24, 1925,³¹ and I shall await with interest the Department's comments on the Cuban counter proposals. I venture to express the hope that I may receive instructions on this subject at as early a date as possible, in order that I may be able to complete the negotiations so that the treaty will be ready to submit to the Senate of the United

³⁰ *Foreign Relations*, 1920, vol. I, p. 17.

³¹ Not printed.

States at the next session of Congress, as proposed in the Department's instruction No. 458 of April 9, 1925.³³

The Department will observe that the text of the English translation used in the parallel column statement enclosed herewith is slightly different from that transmitted with my despatch No. 1220 of October 30. These slight changes have been made with a view to rendering the translation into more idiomatic and accurate English.

There is also enclosed herewith, for the Department's consideration, a copy of the Spanish text of the Cuban counter draft.³³

I have [etc.]

E. H. CROWDER

711.3721/5

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

No. 1227

HABANA, November 3, 1925.

[Received November 9.]

SIR: I have the honor to refer to my telegrams Nos. 120 of September 30, 2 P. M., and 122 of October 13, 10 A. M., and to the Department's telegram No. 113 of October 16, 1 P. M.,³⁴ with reference to the desire of the Cuban Government to receive at an early date the reply of the American Government to the Cuban counter-draft of the proposed Consular Convention.

I now have the honor to transmit herewith a translation of a note, No. 1103, dated October 30, 1925, from Dr. Céspedes³⁵ in which he makes formal inquiry concerning the status of this matter and points out that it has been pending without reply for more than two months.

I am sure the Department will appreciate that under these circumstances it is somewhat embarrassing for me to attempt to urge expedition upon the Cuban Government in its consideration of the Smuggling and Extradition Treaties, and I trust the Department will assist me in my negotiations by giving the Consular Convention as prompt consideration as possible.

I have [etc.]

E. H. CROWDER

211.37/30 : Telegram

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

WASHINGTON, November 4, 1925—5 p.m.

120. Draft extradition treaty enclosed in your No. 1217, October 22, is satisfactory . . .

Department will send you full powers.³⁵

KELLOGG

³³ Not printed.

³⁴ None printed.

³⁵ Full powers were sent the Ambassador on Nov. 7, 1925.

711.3721/5 : Telegram

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

WASHINGTON, November 14, 1925—9 p. m.

124. Your despatch No. 1227, November 3, 1925. You may, in your discretion, reply formally to note from Minister of Foreign Affairs as follows:

“My Government has instructed me to inform your Excellency that it regrets that it was unable to complete the examination of the counter proposals made by the Cuban Government in time to meet the desire of your Excellency to sign the Convention before the present session of the Cuban Congress convened.

I am, moreover, authorized to inform your Excellency that the Department of State will endeavor to expedite the consideration which is being given to the Cuban counter draft and to place its views in regard to the Cuban proposals in my hands at an early date for communication to your Excellency.”

KELLOGG

CZECHOSLOVAKIA

EXTRADITION TREATY BETWEEN THE UNITED STATES AND CZECHOSLOVAKIA, SIGNED JULY 2, 1925

211.60f/a

*The Acting Secretary of State to the Minister in Czechoslovakia
(Einstein)*

No. 73

WASHINGTON, *September 5, 1922.*

SIR: Referring to your Legation's despatch No. 15 of January 14, 1922,¹ in relation to the possible conclusion of several treaties between the United States and the Republic of Czechoslovakia, the Department encloses a draft of an extradition treaty¹ which you will please bring to the attention of the Foreign Office as being similar in form to the extradition treaties which the United States has with most of the countries of the world. You will add that this Government would be pleased to enter into a treaty with Czechoslovakia, based upon this draft.

I am [etc.]

For the Acting Secretary of State:

LELAND HARRISON

211.60f/1

The Chargé in Czechoslovakia (Pearson) to the Secretary of State

No. 429

PRAGUE, *April 24, 1923.*

[Received May 18.]

SIR: Replying to the Department's Instruction No. 121 of March 30th¹ directing the Legation to report on the results of representations made pursuant to Instruction No. 73 of September 5, 1922, transmitting the draft of a proposed extradition treaty with Czechoslovakia, I have the honor to report that on September 30, 1922, Mr. Magruder, then Chargé d'Affaires, submitted a draft of the proposed treaty to the Minister for Foreign Affairs; that on October 26th Dr. Emil Spira, a chief of Section in the Ministry of Justice, called at the Legation and discussed the possibility of cer-

¹ Not printed.

tain minor modifications in the treaty; that he pursued this discussion in greater detail in January of this year first with Mr. Pearson, Secretary of Legation, and then with the Minister; that as there still remained some slight differences between the draft submitted by the Legation and the conditions which this Government, according to Dr. Spira, would be prepared to accept, the Minister requested the latter to submit counter propositions thereon. These counter propositions have not yet been received, and the Legation has now requested the Minister for Foreign Affairs to state whether or not the draft in question meets with his approval.

I have [etc.]

FREDERICK F. A. PEARSON

Treaty Series No. 734

*Treaty Between the United States of America and Czechoslovakia,
Signed at Prague, July 2, 1925*²

The United States of America and Czechoslovakia desiring to promote the cause of justice, have resolved to conclude a treaty for the extradition of fugitives from justice, between the two countries and have appointed for that purpose the following Plenipotentiaries:

The President of the United States of America:

Lewis Einstein, Envoy extraordinary and Minister plenipotentiary of the United States of America,

and

The President of the Czechoslovak Republic:

Dr. Eduard Beneš, Minister for Foreign Affairs of the Czechoslovak Republic,

who, after having communicated to each other their respective full powers, found to be in good and due form, have agreed upon and concluded the following articles:

ARTICLE I

It is agreed that the Government of the United States and the Government of Czechoslovakia shall, upon requisition duly made as herein provided, deliver up to justice any person, who may be charged with, or may have been convicted of any of the crimes or offenses specified in Article II of the present Treaty committed within the jurisdiction of one of the High Contracting Parties, and who shall seek an asylum or shall be found within the territories of the

² In English and Czechoslovak; Czechoslovak text not printed. Ratification advised by the Senate, Mar. 3, 1926; ratified by the President, Mar. 23, 1926; ratified by Czechoslovakia, Oct. 22, 1925; ratifications exchanged at Washington, Mar. 29, 1926; proclaimed by the President, Mar. 29, 1926.

other; provided that such surrender shall take place only upon such evidence of criminality, as according to the laws of the place where the fugitive or person so charged shall be found, would justify his apprehension and commitment for trial if the crime or offense had been there committed.

ARTICLE II

Persons shall be delivered up according to the provisions of the present Treaty, who shall have been charged with or convicted of any of the following crimes or offenses:

1. Murder, comprehending the crimes designated by the term *paricide*, assassination, manslaughter when voluntary, poisoning or infanticide.

2. Rape, abortion, carnal knowledge of children under the age of fourteen years.

3. Abduction or detention of women or girls for immoral purposes.

4. Bigamy.

5. Arson.

6. Wilful and unlawful destruction or obstruction of railroads, which endangers human life.

7. Crimes committed at sea:

a) Piracy, as commonly known and defined by the law of nations, or by statute.

b) Wrongfully sinking or destroying a vessel at sea.

c) Mutiny or conspiracy of two or more members of the crew or other persons on board of a vessel on the high seas, for the purpose of rebelling against the authority of the Captain or Commander of such vessel, or by fraud or violence taking possession of such vessel.

d) Assault on board ship upon the high seas with intent to do bodily harm.

8. Burglary, defined to be the act of breaking into and entering the house of another in the night time with intent to commit a felony therein.

9. The act of breaking into and entering the offices of the Government and public authorities or the offices of banks, banking houses, savings banks, trust-companies, insurance and other companies, or other buildings not dwellings with intent to commit a felony therein.

10. Robbery, defined to be the act of feloniously and forcibly taking from the person of another goods or money by violence or by putting him in fear.

11. Forgery or the utterance of forged papers.

12. The forgery or falsification of the official acts of the Governments, or public authority, including Courts of Justice, or the uttering or fraudulent use of any of the same.

13. The fabrication of counterfeit money, whether coin or paper, counterfeit titles or coupons of public debt, created by National, State, Provincial, Territorial, Local or Municipal Governments, bank notes or other instruments of public credit, counterfeit seals, stamps, dies and marks of State or public administrations, and the utterance, circulation or fraudulent use of the above mentioned objects.

14. Embezzlement or criminal malversation committed within the jurisdiction of one or the other party by public officers or depositaries, where the amount embezzled exceeds one hundred dollars or the Czechoslovak equivalent.

15. Embezzlement by any person or persons, hired, salaried or employed, to the detriment of their employers or principals, when the crime or offense is punishable by imprisonment or other corporal punishment by the laws of both countries, and where the amount embezzled exceeds one hundred dollars or the Czechoslovak equivalent.

16. Kidnapping of minors or adults, defined to be the abduction or detention of a person or persons, in order to exact money from them, their families or any other person or persons, or for any other unlawful end.

17. Larceny, defined to be the theft of effects, personal property, or money, of the value of twenty-five dollars or more or the Czechoslovak equivalent.

18. Obtaining money, valuable securities or other property by false pretences or receiving any money, valuable securities or other property knowing the same to have been unlawfully obtained, where the amount of money or the value of the property so obtained or received exceeds one hundred dollars or the Czechoslovak equivalent.

19. Perjury or subornation of perjury.

20. Fraud or breach of trust by a bailee, banker, agent, factor, trustee, executor, administrator, guardian, director or officer of any company or corporation, or by any one in any fiduciary position, where the amount of money or the value of the property misappropriated exceeds one hundred dollars or the Czechoslovak equivalent.

21. Crimes and offenses against the laws of both countries for the suppression of slavery and slave trading.

22. Wilful desertion or wilful non-support of minor or dependent children.

The extradition is also to take place for participation in any of the aforesaid crimes as an accessory before or after the fact or in any attempt to commit any of the aforesaid crimes; provided such participation or attempt be punishable by imprisonment by the laws of both Contracting Parties.

ARTICLE III

The provisions of the present Treaty shall not import a claim of extradition for any crime or offence of a political character, nor for acts connected with such crimes or offenses; and no person surrendered by or to either of the High Contracting Parties in virtue of this Treaty shall be tried or punished for a political crime or offense committed before his extradition.

The State applied to or Courts of that State shall decide whether the crime or offense is of a political character or not.

When the offense charged comprises the act either of murder or assassination or of poisoning, either consummated or attempted, the fact that the offense was committed or attempted against the life of the Sovereign or Head of any State or against the life of any member of his family, shall not be deemed sufficient to sustain that such crime or offense was of a political character; or was an act connected with crimes or offenses of a political character.

ARTICLE IV

No person shall be tried for any crime or offense committed before his extradition other than that for which he was surrendered.

ARTICLE V

A fugitive criminal shall not be surrendered under the provisions hereof, when, from lapse of time or other lawful cause, according to the laws of either of the countries within the jurisdiction of which the crime or offense was committed, the criminal is exempt from prosecution or punishment for the offense for which the surrender is asked.

ARTICLE VI

If the person claimed should be under examination or under punishment in the State applied to for other crime or offense, his extradition shall be deferred until the conclusion of the trial or, in case of his conviction, until the full execution of any punishment imposed upon him.

Yet this circumstance shall not be a hindrance to deciding the request for the extradition in the shortest time possible.

ARTICLE VII

If a fugitive criminal claimed by one of the parties hereto, shall be also claimed by one or more powers pursuant to treaty provisions, on account of crimes or offenses committed within their jurisdiction,

such criminal shall be delivered to that State whose demand is first received unless its demand is waived. This Article shall not affect such treaties as have already previously been concluded by one of the Contracting Parties with other states.

ARTICLE VIII

Under the stipulations of this Treaty, neither of the High Contracting Parties shall be bound to deliver up its own citizens.

ARTICLE IX

The expense of arrest, detention, examination and transportation of the accused shall be paid by the Government which has preferred the demand for extradition (see Article XI.).

ARTICLE X

Everything found in the possession of the fugitive criminal at the time of his arrest, whether being the proceeds of the crime or offense, or which may be material as evidence in making proof of the crime, shall so far as practicable, according to the laws of either of the High Contracting Parties, be delivered up with his person at the time of surrender. Nevertheless, the rights of a third party with regard to the articles referred to, shall be duly respected.

ARTICLE XI

The stipulations of the present treaty shall be applicable to all territory wherever situated, belonging to either of the High Contracting Parties or in the occupancy and under the control of either of them, during such occupancy or control.

Requisitions for the surrender of fugitives from justice shall be made by the respective diplomatic agents of the High Contracting Parties. In the event of the absence of such agents from the country or its seat of Government, or where extradition is sought from territory included in the preceding paragraph, other than the United States or Czechoslovakia, requisitions may be made by superior consular officers.

In case of urgency, the application for arrest and detention may be addressed directly to the competent magistrate in conformity to the statutes in force.

The person provisionally arrested shall be released, unless within two months from the date of commitment in the United States—or from the date of arrest in Czechoslovakia, the formal requisition for surrender, with the documentary proofs hereinafter described, be

made as aforesaid by the diplomatic agent of the demanding Government, or in his absence, by a consular officer thereof.

If the fugitive criminal shall have been convicted of the crime or offense for which his extradition is asked, a copy of the sentence of the court before which such conviction took place, duly authenticated, shall be produced. If, however, the fugitive is merely charged with crime, a duly authenticated copy of the warrant of arrest in the country where the crime was committed, and of the depositions upon which such warrant may have been issued, shall be produced, with such other evidence or proof as may be deemed competent in the case.

ARTICLE XII

In every case of a request made by either of the High Contracting Parties, for the arrest, detention or extradition of fugitive criminals, the appropriate legal officers of the country where the proceedings of extradition are had, shall assist the officers of the Government demanding the extradition before the respective judges and magistrates, by every legal means within their power.

ARTICLE XIII

The present Treaty of which the English and Czechoslovak texts are equally authentic shall be ratified by the High Contracting Parties in accordance with their respective constitutional methods and shall take effect on the date of the exchange of ratifications which shall take place at Washington as soon as possible.

ARTICLE XIV

The present Treaty shall remain in force for a period of ten years and in case neither of the High Contracting Parties shall have given notice one year before the expiration of that period of its intention to terminate the Treaty, it shall continue in force until the expiration of one year from the date on which such notice of termination shall be given by either of the High Contracting Parties.

In witness whereof the above named Plenipotentiaries have signed the present Treaty and have hereunto affixed their seals.

Done in duplicate at Prague this second day of July, nineteen hundred and twenty five.

[SEAL]	LEWIS EINSTEIN
[SEAL]	Dr. EDUARD BENEŠ

OBJECTION BY THE DEPARTMENT OF STATE TO PRIVATE LOANS TO
CZECHOSLOVAKIA PENDING SETTLEMENT OF CZECHOSLOVAK
DEBTS TO THE UNITED STATES GOVERNMENT

860f.51/410 : Telegram

*The Acting Secretary of State to the Minister in Czechoslovakia
(Einstein)*

[Paraphrase]

WASHINGTON, June 9, 1925—7 p.m.

21. Recently a representative of Dillon, Read and Company called to advise the Department of State informally that certain tentative discussions had been taking place in Prague between a representative of the company and the Government of Czechoslovakia in regard to a possible loan of \$60,000,000; of this amount one-half would be for general construction purposes, and the other half would go in part for the establishment of a bank of issue and in part to stabilize the currency.

Department was informed (1) that these conversations had arrived at stage where matter had either to be continued seriously or to be discontinued; and (2) that the bankers felt that the market could now take \$30,000,000 for Czechoslovakia but not \$60,000,000. The bankers were inquiring in regard to the Department's attitude toward such a loan as they had in mind, and they were informed that until the Czechoslovak Government should reply to this Government's recent note regarding refunding of Czechoslovakia's debt to the United States,⁴ the Department would not be disposed to view favorably any financing in the American market on behalf of that Government.

The bankers were also informed that the Department would have no objections to communication of above views to Government of Czechoslovakia.

GREW

800.51 W 89 Czechoslovakia/95 : Telegram

The Minister in Czechoslovakia (Einstein) to the Secretary of State

PRAGUE, June 17, 1925—1 p. m.

[Received 3:15 p. m.]

30. Mr. Clarence Dillon now at Prague with Colonel Logan⁵ informs me that he proposes telling Dr. Beneš that after Czechoslovak Government has replied satisfactorily to Government's recent note regarding refunding of indebtedness to the United States he is dis-

⁴ See vol. I, pp. 122 ff.

⁵ James A. Logan, Jr., formerly American unofficial representative on the Reparation Commission.

posed tentatively to discuss short-term credit to be established for purpose stabilizing the currency. Mr. Dillon's intention is to cooperate fully with Department and conform himself to its wishes.

EINSTEIN

860f.51/410 supp. : Telegram

The Secretary of State to the Minister in Czechoslovakia (Einstein)

[Paraphrase]

WASHINGTON, July 23, 1925—1 p. m.

30. Refer Department's No. 21, June 9, 7 p. m. Department has been informed by bankers that their representatives in Prague indicated to President Masaryk and to Foreign Minister Beneš that until a reply should be received from the Czechoslovak Government to this Government's recent note regarding refunding of indebtedness of Czechoslovakia to the United States, the Department would not be disposed to view with favor a loan to Czechoslovakia, and that for the purpose of cooperating with the Department, the bankers suspended negotiations.

Department is now informed by bankers that Czechoslovak authorities have in meantime requested National City Company to make an offer on loan in question and they fear that agreement will be reached between National City Company and Czechoslovak Government, conditioned on favorable action by Department, whereby they will be excluded from business which they initiated.

Department does not desire, of course, to favor one firm of American bankers over another, but at same time Department feels that it would be hardly fair to Dillon, Read and Company if their position should be prejudiced by reason of their cooperation with Department. You are instructed, therefore, to make discreet inquiry, and if as result of your inquiries you find that the National City Company or any other American banker is negotiating a loan with Czechoslovak Government, you will request the representative of that banking firm to call upon you at the Legation, and you will inform him (1) that until a satisfactory reply is received from the Czechoslovak Government to the Department's note regarding refunding of Czechoslovakia's indebtedness to the United States, the Department cannot view with favor flotation of a Czechoslovak loan in this country; and (2) that Department would strongly disapprove conclusion of any loan agreement or option between a foreign borrower and American banker specifically conditioned upon Department's favorable action respecting it. Department desires to be consulted before any agreement with prospective foreign borrower is concluded; it is not willing that preliminary contracts be signed conditioning final

loan contract upon Department's offering no objection to proposed transaction.

Telegraph action taken, giving name of any American banker at present negotiating with Czechoslovak Government.

KELLOGG

860f.51/421 : Telegram

The Minister in Czechoslovakia (Einstein) to the Secretary of State

[Paraphrase]

PRAGUE, July 25, 1925—1 p. m.

[Received July 25—9:30 a. m.]

43. Department's No. 30, July 23, 1 p. m. It is reported that National City Company has advanced \$12,000,000 to Czechoslovak Government as installment on future loan, thus enabling Government to take care of short-term obligations which matured on July 1.

EINSTEIN

860f.51/421 : Telegram

The Secretary of State to the Minister in Czechoslovakia (Einstein)

[Paraphrase]

WASHINGTON, August 4, 1925—6 p. m.

34. Your No. 43, July 25, 1 p. m. On July 25 the Department inquired informally of the National City Company whether it had made an advance of \$12,000,000 as installment on proposed future loan; and at the same time advised company of Department's attitude on loans and credits by American bankers to Czechoslovakia at present. The company replied July 29, informing Department that the report was entirely erroneous and that neither the National City Company nor the National City Bank had any such credits outstanding at the present time.

Department informally advised by Dillon, Read and Company that today they received cable from Logan, reporting that the National City Bank had made private advances to the Czechoslovak Government up to \$12,000,000 since June 15, 1925, and that the Government is not, therefore, in need of money at present, and that discussions for a general loan have been suspended; also that the European representative of the National City Company was advised yesterday for first time of Department's attitude toward Czechoslovak financing.

Please investigate discreetly and report facts of actual situation with particular reference to whether Government of Czechoslovakia is or is not at this time in pressing need of funds.

KELLOGG

860f.51/428 : Telegram

The Minister in Czechoslovakia (Einstein) to the Secretary of State

[Paraphrase]

PRAGUE, August 10, 1925—2 p. m.

[Received 2:03 p. m.]

46. On August 8 I saw President Masaryk at Carlsbad. He inquired in regard to standing of National City Bank and said that the Government was now negotiating loan with them, but stated in answer to my question that he did not know if any advances had yet been made. An advance to the Government of Czechoslovakia has been reported as having been made through a local bank which has, in turn, received money from a foreign bank, but I am unable to vouch for the accuracy of this statement. I do not believe that the Government is in urgent need of funds, but I have impression that it is finding difficulty in handling maturing short-term notes and that it would welcome a loan to relieve it.

On August 5 I communicated through American Embassy, Berlin, the Department's position as outlined in its telegram No. 30, July 23, 1 p. m., to Vice President Weeks of the National City Bank who had been in Prague twice lately, with suggestion that message should be given to his principals in New York for their information.

EINSTEIN

860f.51/426 : Telegram

The Secretary of State to the Minister in Czechoslovakia (Einstein)

[Paraphrase]

WASHINGTON, August 13, 1925—5 p. m.

35. Your telegram No. 46, August 10, 2 p.m.

(1) The National City Company has written to the Department to say that it concurs in and will be guided by the Department's views in regard to Czechoslovak financing.

(2) It appears that certain advances have been made by the Federal Reserve Bank of New York over a period of several months to a Czechoslovak institution which is exercising provisionally the functions of a state bank of issue.

(3) Czechoslovak Government's note of July 22^o was presented by Chargé on August 8. He requested copies of the debt-funding arrangements already made by the United States, which were given him together with statement showing amounts payable annually by Czechoslovakia on basis of British terms. It was made clear that this

^o Not printed; see telegram No. 41, July 23, from the Minister in Czechoslovakia, vol. I, p. 129.

schedule of amounts was merely for his information and was not a proposition from the Debt Commission. Department will answer Czechoslovak note as soon as possible.⁷

KELLOGG

860f.51/432 : Telegram

The Minister in Czechoslovakia (Einstein) to the Secretary of State

[Paraphrase]

PRAGUE, *September 3, 1925—3 p. m.*

[Received September 3—1:56 p. m.]

50. Referring to my No. 46, August 10, 2 p. m. An official of the New York Trust Company who is now in Prague has told commercial attaché that company together with other American banks had made advance since last June of \$12,000,000 to Czechoslovak Banking Office. Commercial attaché believes that this representative is negotiating further advances.

EINSTEIN

860f.51/433 : Telegram

The Secretary of State to the Minister in Czechoslovakia (Einstein)

[Paraphrase]

WASHINGTON, *September 12, 1925—5 p. m.*

43. Your telegram No. 50, September 3, 3 p. m. The Department communicated with the New York Trust Company and has received a reply which states that the company has been discussing with the Czechoslovak Banking Office the possibility of extending such a credit as you describe, and that these discussions are being continued in expectation of favorable outcome to debt-funding negotiations; also that the Government of Czechoslovakia is giving preliminary consideration to marketing some \$13,000,000 of the Austrian League of Nations loan and \$2,500,000 Hungarian loan. The Department is replying that it hopes the company will not commit itself in any way before consulting the Department, and that the Government of the United States does not at present time view Czechoslovak financing with favor.

Report briefly any significant developments.

KELLOGG

⁷ See telegram No. 37, Aug. 27, to the Minister in Czechoslovakia, vol. I, p. 130.

860f.51/435 : Telegram

The Minister in Czechoslovakia (Einstein) to the Secretary of State

PRAGUE, *September 14, 1925—4 p. m.*

[Received September 14—3 p. m.]

52. Your 43, my 50. Commercial attaché reports that Zell of New York Trust Company made positive statement to him that credit of \$12,000,000 had actually been made to Czechoslovak Banking Office. This statement was made by Zell because of his interest in trying to ascertain if Federal Reserve Bank had made similar credit.

EINSTEIN

860f.51/439 : Telegram

The Minister in Czechoslovakia (Einstein) to the Secretary of State

[Paraphrase]

PRAGUE, *September 23, 1925—3 p. m.*

[Received September 23—1:56 p. m.]

54. I understand that the Czechoslovak loan now being negotiated with the National City Company will be almost entirely utilized to meet maturing short-term indebtedness, although it is needed to stabilize the currency and to establish a reserve for a bank of issue.

Legation is in possession of information that Czechoslovak Debt Funding Commission is to conclude a Government loan in Paris today, and understanding is that Dillon, Read and Company will participate.

EINSTEIN

860f.51/443 : Telegram

The Minister in Czechoslovakia (Einstein) to the Secretary of State

[Paraphrase]

PRAGUE, *October 2, 1925—1 p. m.*

[Received 5:50 p. m.]

56. Department's No. 43, September 12, 5 p. m., and Legation's No. 54, September 23, 3 p. m. Commercial attaché has been informed that a loan for \$50,000,000 has been agreed upon with the National City Company. Of this sum, half is available immediately; on the other half the Government retains a 6-months' option. Loan agreement specifically states that the proceeds will be utilized to meet short-term indebtedness, though some portions will go to repay previous advances.

EINSTEIN

860f.51/450

Memorandum by Mr. Spencer Phenix, of the Office of the Economic Adviser

[WASHINGTON,] *October 14, 1925.*

Mr. Ralph Crews, Counsel for the National City Company, telephoned this afternoon to say that representatives of the Czechoslovak Government desired to negotiate with the National City Company in connection with certain loans desired by them. Mr. Crews stated that the Czechoslovak representatives informed him that they had signed an agreement for the funding of the indebtedness of Czechoslovakia to the United States, but in view of the Department's correspondence last summer with the National City Company, he desired to have definite advice as to the Department's position with respect to such negotiations. I told Mr. Crews that I would endeavor to telephone him an answer to his inquiry during the afternoon.

I spoke with the Secretary about this matter and was informed by him that he had discussed the general question with Mr. Mellon and Mr. Hoover and that all three had agreed that no objection would be offered by this Government to negotiations looking to Czechoslovak financing in this country. Accordingly I telephoned Mr. Crews that the Department had no objection to negotiations between the National City Company and the Czechoslovak Government.

S[PENCER] P[HENIX]

DOMINICAN REPUBLIC

NOTES EXCHANGED BETWEEN THE SECRETARY OF STATE AND THE DOMINICAN MINISTER IN WASHINGTON EXPLANATORY OF THE CONVENTION OF DECEMBER 27, 1924¹

839.51/2542

The Dominican Minister (Ariza) to the Secretary of State

[Translation]

WASHINGTON, *March 31, 1925.*

MR. SECRETARY OF STATE: In order to forward to my Government under the head of information some ideas concerning the execution of the Convention signed in this city on December 27, 1924, between the United States of America and the Dominican Republic, which is awaiting the approval of the Dominican Congress, I have the honor to ask Your Excellency kindly to give me the ideas of the Department on the points herein below presented:

(a) It has been contended in the Dominican Republic that the wording of paragraph 1 of Article VII of the above-mentioned Convention according to which "these agreements will go into force after they are approved by the contracting parties", supposes that the consolidation of the debt must take place before the exchange of ratifications of the treaty. Does the Secretary of State understand, as I do, that the exchange of ratifications precedes the consolidation of the debt, and is an indispensable requisite for the issue of the bonds of the contemplated \$25,000,000 loan?

(b) Article III of the Convention of 1924 which reproduces word for word the first paragraph of the same article of the Convention of 1907,² reads as follows: "Until the Dominican Republic has paid the whole amount of the bonds of the debt its public debt shall not be increased except by previous agreement between the Dominican Government and the United States". Does the phrase "the whole amount of the bonds of the debt" refer in the Convention of 1924 to the bonds to be issued for \$25,000,000 in the same way as the same phrase in the Convention of 1907 had reference to the bonds also to be issued for \$20,000,000? If so, does the State Department understand that the "previous agreement" between the two governments

¹ For the text of the convention, see *Foreign Relations*, 1924, vol. I, p. 662.

² *Ibid.*, 1907, pt. 1, pp. 307, 309.

for the contract of the \$25,000,000 loan results from the approval and ratification of the Convention of 1924, or on the contrary, there is required a separate and special agreement at the time of the issue of the new bonds?

(c) Since the Convention of 1924 has no stipulation in any particular form for the issuance of the \$25,000,000 bonds, does the Department consider, as I do, that its language admits of the possibility both of one emission for the whole amount stated and various partial issues as may best serve the interests of the Dominican Republic?

(d) Article VII of the Convention of 1924 provides that when the ratifications of the said convention shall have been exchanged the Convention of February 8, 1907, shall be considered at an end. This being so, what would be the condition of the bonds issued under the Convention of 1907 that may not have been redeemed after the exchange of ratifications and before the consolidation of the debt? It seems evident that the Convention of 1907 having terminated, those bonds would stand under the protection of the Convention of 1924, and would continue to be governed as to the payment of interest and manner of amortization by the law enacted for every issue. The holders of such bonds could not invoke any vested right to claim that the Convention of 1907 is in force since the new convention extends to them the same guarantees.

I avail myself [etc.]

J. C. ARIZA

839.51/2542

The Secretary of State to the Dominican Minister (Ariza)

WASHINGTON, April 4, 1925.

SIR: I have received your note of March 31, 1925, in which you transmit to me on behalf of your Government, various inquiries relative to the carrying out of the Convention between the United States and the Dominican Republic signed in Washington December 27, 1924, approved by the Senate of the United States and now pending ratification by the Dominican Congress.

You advise me (a) that it has been claimed in the Dominican Republic that the wording of the first paragraph of Article VII of the Treaty referred to, namely, "this agreement shall take effect after its approval by the Contracting Parties" implies that the refunding of the Republic's debt must be undertaken before the exchange of ratifications of this Convention, and you inquire whether I share your understanding that the exchange of ratifications should, on the contrary, take place prior to the refunding of the Republic's debt as an indispensable prerequisite to the issuance of the bonds of the proposed

loan of \$25,000,000. In reply, I desire to state that this Government understands that the exchange of ratifications must of necessity take place prior to the proposed refunding of the Republic's outstanding debt in view of the fact that the Convention cannot enter into effect until after ratifications have been exchanged and since the provisions of the Convention operating as guarantees for the proposed loan of \$25,000,000 must become effective prior to the issuance of the bonds of the proposed loan.

You state (*b*) that Article III of the Convention of 1924, which follows the text of Par. 1 of the same article of the Convention of 1907, is as follows:

“Until the Dominican Republic has paid the whole amount of the bonds of the debt, its public debt shall not be increased except by previous agreement between the Dominican Government and the United States”.

You inquire whether “the whole amount of the bonds of the debt” refers in the Convention of 1924 to the proposed bond issue of \$25,000,000 and you ask whether in this event the Department of State understands that the “previous agreement” between the two Governments for the negotiation of the loan of \$25,000,000 becomes effective as the result of the signing and ratification of the Convention of 1924, or whether, on the contrary, a distinct and special agreement is required before the new bonds are issued. In reply, I desire to state that it is the understanding of this Government that a special agreement will be required on the part of the Governments of the United States and of the Dominican Republic prior to the issuance of the proposed bond issue of \$25,000,000, or any portion thereof.

You inquire (*c*) whether in view of the fact that the Convention of 1924 does not stipulate any special form for the issuance of the bonds of the proposed loan of \$25,000,000 it is the understanding of the Department of State, as you state it is yours, that the provisions of the Convention admit the possibility of one series of bonds for the total amount above mentioned as well as of various series totalling \$25,000,000, as the best interest of the Dominican Republic may determine. In reply, I may inform you that this Government considers that the terms of the Convention under reference admit the possibility of the issuance of the bonds of the proposed loan up to the total of \$25,000,000 either in one series or in several series as the best interest of the Dominican Republic may from time to time determine.

Finally, you state (*d*) that Article VII of the Convention of 1924 provides that upon the exchange of ratifications of this Convention, the Convention as signed on February 8, 1907, shall be deemed to be abrogated, and you inquire what will be the condition of the bonds issued during the life of and in accordance with the provisions of

the Convention of 1907 which may still be outstanding after the exchange of ratifications of the Convention of 1924 prior to their conversion. You state that it appears evident that upon the abrogation of the Convention of 1907 such bonds would be guaranteed by the provisions of the Convention of 1924 and that the payment of interest upon such bonds and the manner of providing for their eventual amortization would be governed by the terms of the legislation passed authorizing the issuance of the series of which they form a part. You further state that the holders of such bonds could not invoke any legal right to insist upon the continuation of the Convention of 1907 in view of the fact that the new Convention, that of 1924, provides the same guarantees as the former Convention. In reply to this last inquiry, I desire to state that I share your understanding that upon the abrogation of the Convention of 1907 all bonds then outstanding will be guaranteed by the provisions of the Convention of 1924 and that the payment of interest upon such bonds and the manner of providing for their eventual amortization will be governed by the terms of the legislation passed authorizing the issuance of the series of which they form a part. In order that our common understanding upon this point may become a matter of record I wish to suggest an exchange of notes confirming this understanding. I shall be glad to have you advise me whether this suggestion meets with your approval.

Accept [etc.]

FRANK B. KELLOGG

839.51/2575

Memorandum by the Commissioner in the Dominican Republic (Welles) ³ of a Conversation With the Confidential Agent of President Vasquez (Morales)

[Extract]

WASHINGTON, April 8, 1925.

I

Señor Angel Morales, former Minister of the Interior and Police in the Cabinet of President Vasquez, arrived in Washington on March 27, as the Confidential Agent of the President to take up with the Department of State various matters of interest to this Government, principally certain questions affecting the interpretation to be given certain articles in the Convention signed December 27, 1924, at present pending ratification by the Dominican Government.

The chief purpose of Señor Morales' visit was to ascertain whether the Government of the United States would see any objec-

³ Mr. Welles had returned to the United States.

tion to the ratification by the Dominican Congress of the new Convention with certain reservations contained in a draft which he handed to me, which project contained, as well, in the law of ratification certain limitations to be placed by the Congress upon the Executive in the negotiation of the loan of \$25,000,000 contemplated in the Convention. (See Annex A.)⁴ After discussion of this project, I suggested to Mr. Morales the desirability of modifying the proposed limitations to be placed upon the Executive's authority so that the Executive would be permitted as much freedom as possible in his dealings with the bankers. These modifications were at once accepted by the President, who was kept in touch, during the course of our conferences, by cable, with all developments. The reservations contemplated in the law of ratification are identical with those reservations contained in the law ratifying the Convention of 1907. I inquired of Señor Morales whether, should the new Convention be ratified in this manner, the Dominican Government would be satisfied with a reply from the Department of State identical in substance to the reply addressed by Secretary Root to the Dominican Minister in Washington when he was notified by the latter of the ratification of the Convention of 1907 in a similar manner.⁵ Señor Morales stated that such a reply would be entirely acceptable to his Government. Duplicate copies of the proposed law of ratification were prepared and these copies were initialed by Señor Morales and myself. One of these copies is attached hereto as Annex B. The proposed law of ratification in the form initialed was approved by the Secretary upon the understanding that the reply of our Government above indicated would be acceptable to the Dominican Government as Señor Morales advised me.⁶

S[UMNER] W[ELLES]

[Enclosure—Annex B]

*Draft Resolution for the Dominican National Congress Approving
the Convention of December 27, 1924*

The National Congress, etc.,

In view of the Convention signed *ad referendum* in Washington by Representatives of the Government of the United States and of the Dominican Government, which is as follows—(Here follows the Convention *in extenso*.)

Inasmuch as the Dominican Republic has expressed in the second paragraph of the preamble of the Treaty of Evacuation entered into

⁴ Not printed.

⁵ See *Foreign Relations*, 1907, pt. 1, pp. 310-312.

⁶ The remainder of the memorandum deals with other matters.

with the United States,⁷ approved by the National Congress on July 14, 1924, and promulgated upon the same date by the Executive Power, its invariable understanding with regard to the rights inherent in its sovereignty; that the Government of the United States has stated in the same treaty that "it has never had and does not have the intention of infringing upon the sovereignty and independence of the Dominican Nation"; and that the National Congress understands that in ratifying the Convention above quoted it modifies in no manner these declarations of both Governments to which reference has been made;

Inasmuch as it is the intention of the Dominican Congress to maintain, as in effect it does maintain, the understanding expressed in paragraphs (a) and (b) of the preamble of the Resolution of the National Congress ratifying, in May 1907, the Dominican-American Convention signed on February 8, 1907, which were approved by the Government of the United States and read as follows:

(a) As to Article I: It is understood that the employees mentioned in that article do not in any case include those who are to be appointed by the Dominican Executive Power in customhouses of the Republic in accordance with our existing laws.

(b) As to Article II: The protection of the Receiver General and his assistants by the American Government shall only take place in case the Dominican Government shall find it impossible to extend it.

Inasmuch as in accordance with the sense of the text of the sixth paragraph of the preamble of the Convention last submitted to the Dominican Congress, one of the principal objects of the said new Convention is "to provide for the refunding on terms more advantageous to the Republic of its obligations", etc.,

In the exercise of its Constitutional faculty, has approved the following law:

ARTICLE I.—To approve, as in effect it does approve, within the limits of the understanding above expressed, the Convention signed *ad referendum* in Washington on December 27, 1924, the text of which has been incorporated in the present law.

ARTICLE II.—The loan which the Executive Power is authorized to negotiate in accordance with the terms of this Convention shall be made upon the following condition:—

- (a) That the period fixed for its total amortization shall not exceed that legally fixed for the amortization of the prior loans of which bonds are still outstanding;
- (b) That the terms of issuance of the bonds of the new loan shall not be less favorable than the terms upon which the bonds of the prior loans now outstanding were issued;

⁷ *Foreign Relations*, 1924, vol. I, 631.

- (c) That all moneys obtained by the Government from the said loan after the refunding operation has been effected shall be devoted exclusively to permanent public improvements and to other projects designed to further the economic and industrial development of the country.

A[NGEL] M[ORALES]

S[UMNER] W[ELLES]

839.51/2657

Memorandum by Mr. Orme Wilson, of the Division of Latin American Affairs, of a Conversation With the Dominican Secretary of Legation (Alvarez)

[WASHINGTON,] August 27, 1925.

Mr. Alvarez called this afternoon to show me the Dominican instrument of ratification of the new Convention signed by the President and the Minister for Foreign Affairs, which had just arrived from Santo Domingo. This document contains the "explanations" of the Convention and certain other provisions incorporated by the Dominican Congress in its Act approving the Convention. I informed Mr. Alvarez that I understood that this document would not be acceptable, as the Department desired that the procedure adopted with respect to the Convention of 1907 should be followed, and that President Vasquez's instrument of ratification should contain only the actual text of the new Convention, as approved by the Congress of the United States.

Mr. Alvarez appeared to understand this and drafted a telegram to his Government to forward another instrument of ratification omitting explanations and additions.

I reminded him that in 1907 an exchange of notes was effected between the Dominican Legation and the Department, in which the former invited the attention of the Department, to the "explanations" contained in the Act of approval of the Dominican Congress and the latter replied by accepting these statements, but stipulating that they could not form a part of the Convention itself. Mr. Alvarez assured me that this note would be presented when the correct instrument of ratification arrived in Washington.

WILSON

839.51/2673

The Dominican Minister (Ariza) to the Secretary of State

[Translation *]

WASHINGTON, October 5, 1925.

MR. SECRETARY OF STATE: I have the honor to forward herewith to you a certified copy of Resolution No. 179 passed by the Domini-

* File translation revised.

can Congress on the 23rd and 25th of May, 1925,⁹ carrying approval of the Convention concluded between the United States of America and the Dominican Republic on the 27th of December, 1924.

This Resolution also contains several explanations that the Dominican Congress saw fit to give with a proposal similar to that expressed by the said Congress in its approval of the Dominican-American Convention of February 8, 1907, that is to say, with the understanding that these explanations in no wise change the text of the Convention and only serve to dispel any doubt that may arise concerning its interpretation.

By virtue of that Resolution and in accordance with instructions from my Government, I have the honor to submit the said Resolution, through Your Excellency's worthy medium, to the approval of the Government of the United States.

I avail myself [etc.]

J. C. ARIZA

839.51/2686

*The Dominican Legation to the Department of State*¹⁰

[Translation]

The difference which exists between the "Aclaraciones" (explanations) incorporated in the Congressional Resolution approving the Convention of 1924 and those which are contained in the Resolution approving the Convention of 1907 is caused by certain doubts which arose in Congress when the Convention of 1924 was submitted to it. These doubts referred principally:

a) To the authorization required to contract the loan. It was thought that the approval of the Convention might be interpreted as implying an authorization to issue the loan of \$25,000,000 both by the Dominican Congress and by the Department of State.

b) To the co-existence of the two Conventions as well as other legal provisions as long as the consolidation of the debt was not effected. The bonds of 1908 are governed by the Convention of 1907, those of 1918 by Executive Orders 193¹¹ and 272,¹² and those of 1922 by Executive Order 735.¹³ Each one of these bond issues is amortized in a different manner from the others. Inasmuch as Article 7 of the Convention of 1924 stipulates that the abrogation of the Convention of 1907 will be effected by the exchange of ratifications of the new Convention, it was thought that the bonds of 1908 would be governed with respect to the manner of amortization by the provisions of the revised Convention, and that the same conditions would affect the bonds of 1918 and 1922.

⁹ Not printed.

¹⁰ This memorandum was left at the Department by the Dominican Minister on October 8.

¹¹ *Foreign Relations*, 1918, p. 377.

¹² *Ibid.*, 1919, vol. II, p. 148.

¹³ *Ibid.*, 1922, vol. II, p. 85.

These questions were submitted to the Department of State by this Legation's note No. 17 dated March 31, 1925.¹⁴ The Dominican Congress approved the Convention of 1924 only after having ascertained the view of the State Department.

The new Aclaraciones (explanations) included in the Congressional Resolution dated May 23 and 25, 1925, which do not occur (and which cannot occur) in the Convention of 1907 refer to the aforementioned points: namely, the Dominican Congress has stated in its resolution that the approval of the Convention does not carry an authorization to issue the loan of \$25,000,000, and that before the consolidation of the debt is effected the sums set aside in the Convention of 1907 and in the loan contracts now in effect will be used for the service of the bonds.

839.51/2673

The Secretary of State to the Dominican Minister (Ariza)

WASHINGTON, October 24, 1925.

SIR: I have the honor to acknowledge the receipt of your note of October 5, 1925, transmitting a legalized copy of the *Gaceta Oficial* No. 3650, dated May 27, 1925, of the Dominican Government, which contains Resolution No. 179 of the Congress of the Dominican Republic voted on May 23 and 25, 1925, approving the Convention between the United States and the Dominican Republic signed at Washington on December 27, 1924. This Resolution comprises certain explanatory statements, two of which are identical with those incorporated in the Resolution of the Dominican Congress approving the Convention of February 8, 1907, and the remaining three, which are called "Articles", set forth the understanding of the Dominican Congress with respect to the issuance of the contemplated loan, with respect to the service of the existing bond issues after the abrogation of the Convention of February 8, 1907, and with respect to the exchange of ratifications of the Convention. You state that these explanatory statements were incorporated by the Dominican Congress in its Resolution of approval with the understanding that they in no wise change the text of the Convention and only serve to dispel any doubt that may exist as to its interpretation.

The first two explanations seem to be in the nature of statements of what the Dominican Congress considers that the operation of this Convention will be. If I understand them correctly, they entirely agree with the views entertained by the United States. In order to avoid any possibility that I may misunderstand the somewhat general language of the first explanation relating to Article I of the Con-

¹⁴The note as received by the Department was unnumbered.

vention, I will observe that the understanding of the Government of the United States is that the vesting in the President of the United States under that Article of the power to appoint a General Receiver, Assistant Receiver, and other employees of the Receivership will not exclude or prevent the appointment of any other officers or employees by the Dominican executive authority; but such other officers or employees would not be authorized to take part in the collection of the customs revenues or other duties of the Receivership, except as they render assistance to the General Receiver, with his approval.

With reference to the three Articles contained in the Resolution of approval, this Department concurs in the understanding of the Dominican Congress as set forth in Articles I and III. The Department has also given careful consideration to the statements concerning Article II contained in your undated memorandum received on October 8th. These statements indicate that the views of the Dominican Congress in regard to the interpretation of this Article are similar to those of this Government, namely, that its provisions are not intended to apply to the loan contemplated by the Convention of December 27, 1924, but only to the service of the outstanding bond issues until they shall have been fully liquidated.

It thus appears that both Governments will construe the Treaty in the sense of the explanations included in the Resolution of the Dominican Congress. Your Government will, I am sure, understand that it is not only unnecessary, but impossible for the President of the United States to make these explanations and understandings any part of the Convention which he is obliged to ratify, if at all, as it was approved by the Senate of the United States, and that without the consent of the Senate he cannot put into force any further or other treaty provisions. If ratifications are to be exchanged it must therefore suffice that these various explanations and understandings have developed entire harmony of opinion between the two Governments regarding the meaning and effect of the Convention, and the ratifications should be of the Convention itself without including therein or appending thereto any explanations or additions. This would appear to be the course necessary to give effect to the intent of your Congress to alter in no respect the text of the Convention.

Accept [etc.]

FRANK B. KELOGG

839.51/2684

The Dominican Minister (Ariza) to the Secretary of State

[Translation]

The undersigned, Envoy Extraordinary and Minister Plenipotentiary of the Dominican Republic, has the honor to inform the Secretary

of State of the United States of America that he has received instructions from the Government of the Dominican Republic to place on record its understanding with reference to the Convention between the United States and the Dominican Republic signed December 27, 1924, to replace the Convention of February 8, 1907, between the two countries, that the words "all bonds outstanding" as contained in the second paragraph of Article I of the Convention signed December 27, 1924, as well as the words "said bonds" and "all bonds", wherever contained in that paragraph are intended to relate as well to outstanding bonds of the issues of 1908, 1918 and 1922, referred to in the preamble of the last mentioned Convention as to the bonds to be issued in the future under the terms of that Convention, the result being that the duties and functions of the General Receiver and the assistant Receivers and other employees of the Receivership, as enumerated and set forth in the said Article I of the Convention signed December 27, 1924, are intended to continue in force and effect until payment or retirement of any and all bonds issued by the Dominican Government in 1908, 1918 and 1922, and of any and all bonds which shall be issued under the terms of the last mentioned Convention. In other words, it is not intended that the abrogation of the Convention of 1907 shall affect the validity or security of the rights of the holders of bonds issued in accordance with the provisions of that Convention or expressly recognized by the Convention of Ratification signed June 12, 1924, as legally binding upon the Dominican Republic, nor in any way modify the terms of obligations of the Dominican Republic represented by such bonds nor affect their respective rights of priority as to interest or amortization or redemption over each other and over subsequent loans, the understanding being that the Receiver General of the Dominican Customs whether holding office under the Convention of 1907 or the Convention of 1924 shall after paying the expenses of the receivership, apply the revenues collected by him to the service of such issues of bonds as are now outstanding and until their eventual payment or redemption, before applying such revenues to the payment of either interest on or the principal of subsequent loans.

The undersigned further has the honor to say that he has been instructed by his Government to say that it understands that the provisions of the Convention of 1924 relating to a contemplated loan of twenty-five million dollars, do not contemplate that such amount shall be issued as one loan but authorize a series of loans, the aggregate amount of which at any time when added to the sum of the outstanding bonds of the issue of 1908, 1918 and 1922 shall not exceed the said sum of twenty-five million dollars, it being lastly understood that the General Receiver shall apply the customs revenues collected by him to the payment of interests and amortization as required by

each series, but always subordinate to the prior obligations of earlier loans as before stated.

J. C. ARIZA

WASHINGTON, *October 24, 1925.*

839.51/2684

The Secretary of State to the Dominican Minister (Ariza)

The undersigned, Secretary of State of the United States of America, has the honor to acknowledge and to take cognizance of the note of this day's date from the Envoy Extraordinary and Minister Plenipotentiary of the Government of the Dominican Republic in which he states that he has been instructed by his Government to place on record its understanding with reference to the Convention between the United States and the Dominican Republic signed December 27, 1924, to replace the Convention of February 8, 1907, between the two countries, that the words "all bonds outstanding" as contained in the second paragraph of Article I of the Convention signed December 27, 1924, as well as the words "said bonds" and "all bonds," wherever contained in that paragraph are intended to relate as well to outstanding bonds of the issues of 1908, 1918 and 1922, referred to in the preamble of the last mentioned Convention as to the bonds to be issued in the future under the terms of that Convention, the result being that the duties and functions of the General Receiver and the Assistant Receivers and other employees of the Receivership, as enumerated and set forth in the said Article I of the Convention signed December 27, 1924, are intended to continue in force and effect until the payment or retirement of any and all bonds issued by the Dominican Government in 1908, 1918 and 1922, and of any and all bonds which shall be issued under the terms of the last mentioned Convention. In other words, it is not intended that the abrogation of the Convention of 1907 shall affect the validity or security of the rights of the holders of bonds issued in accordance with the provisions of that Convention or expressly recognized by the Convention of Ratification signed June 12, 1924, as legally binding upon the Dominican Republic, nor in any way modify the terms of obligations of the Dominican Republic represented by such bonds nor affect their respective rights of priority as to interest or amortization or redemption over each other and over subsequent loans, the understanding being that the Receiver General of the Dominican Customs whether holding office under the Convention of 1907 or the Convention of 1924 shall after paying the expenses of the receivership, apply the revenues collected by him to the service of such issues of bonds as are now

outstanding and until their eventual payment or redemption, before applying such revenues to the payment of either interest on or the principal of subsequent loans.

The undersigned, Secretary of State of the United States of America, has further taken cognizance of the statement of the Envoy Extraordinary and Minister Plenipotentiary of the Government of the Dominican Republic that he has been instructed by his Government to say that it understands that the provisions of the Convention of 1924 relating to a contemplated loan of twenty-five million dollars, do not contemplate that such amount shall be issued as one loan, but authorize a series of loans, the aggregate amount of which at any time when added to the sum of the outstanding bonds of the issues of 1908, 1918 and 1922 shall not exceed the said sum of twenty-five million dollars, it being understood that the General Receiver shall apply the customs revenues collected by him to the payment of interest and amortization as required by each series, but always subordinate to the prior obligations of earlier loans as before stated.

The undersigned, Secretary of State of the United States of America, has the honor to inform the Envoy Extraordinary and Minister Plenipotentiary of the Dominican Republic that the Government of the United States concurs in the views of the Dominican Government as set forth in the preceding paragraphs.

FRANK B. KELLOGG

WASHINGTON, *October 24, 1925.*

ECUADOR

CLAIM OF THE MERCANTILE BANK OF THE AMERICAS AGAINST ECUADOR FOR THE DEBT OF THE CACAO GROWERS ASSOCIATION¹

822.61334/154 : Telegram

The Minister in Ecuador (Bading) to the Secretary of State

QUITO, *January 27, 1925—6 p. m.*

[Received January 28—11:37 p. m.]

2. Replying to Department's telegram 21, December 18, 3 p. m.,² Ecuadoran Minister for Foreign Affairs after reciting all points outlined in the above-mentioned cable states as follows:

"Taking into consideration the language in which the note which I answer is conceived, this Chancellery is compelled, with deep regret, to perform its duty, reminding Your Excellency that it considers procedure adopted by your Government as in absolute contradiction to the traditionally observed policy of the United States regarding questions of private right arising in foreign countries.

That policy has consistently denied the legality of all diplomatic claims, of all intervention of governments in matters of this nature; and [has been] accepted with enthusiasm by the American countries as a safeguard of the sovereignty of weak nations. Ecuador also always has invoked it in all cases in which it has judged it necessary to do so, and especially before your Excellency's Government, which always has been its strongest supporter in innumerable documents and official declarations and in the valuable opinions of your most distinguished publicists.

In the matter of the claims of the Guayaquil and Quito Railway Company, this Department has clearly and succinctly stated to the Government of Your Excellency the reasons why the Ecuadorean Government did not and could not accept the diplomatic claim which then was attempted; and in this respect permit me to recall the contents of the notes directed to your predecessor, Mr. Charles S. Hartman, by this Chancellery under date[s] of December 28th, 1915;³ November 4th, 1916;⁴ January 10 [12], and 16th and February 28th, 1917.⁵

If then in a matter which dealt with a contract in which the Ecuadorean Nation was a part[y] it was not possible to consent that this principle of international right be attacked, how much less may it

¹ Continued from *Foreign Relations*, 1924, vol. 1, pp. 701-707.

² *Ibid.*, p. 705.

³ *Ibid.*, 1916, p. 261.

⁴ *Ibid.*, p. 267.

⁵ *Ibid.*, 1917, pp. 734, 736, and 741.

consent to it now in a matter of the legal relations between the Associations of Agriculturalists and the Mercantile Bank, which in no way affects the Ecuadorean Government.

Therefore, Mr. Minister, the Ecuadorean Chancellery cannot do less than record the surprise with which it has noticed the desire to place the debt of the Association of Agriculturalists upon the ground of diplomatic claim, when the course of ordinary justice is open but which it seems the parties have not even intended to follow and when there has been as yet no denial of justice, the sole instance in which international law recognizes the legality of such claims.

The special considerations held by the Chancellery for the distinguished and most worthy representative of the United States, Mr. Bading, cause me, while maintaining in all its vigor the foregoing statement and abstaining from concretely answering the points mentioned in the note of Your Excellency, to have the honor of transcribing here a report which for the information of Your Excellency has been solicited from the Department of Finance in relation to the status of the questions between the Association of Agriculturists and the Mercantile Bank.

On account of the nature of the matter the Chancellery reserves to itself the right of [publishing] this note".

Statement of Minister of Finance consists of compilation of laws upon which he bases the opinion that the association is a private institution.

Have informed the Minister of Foreign Affairs that the position of the Ecuadorean Government is not tenable and will not be acceptable to the Department.

Full text of note will be forwarded by first pouch.

BADING

822.61334/154 : Telegram

The Secretary of State to the Minister in Ecuador (Bading)

WASHINGTON, March 17, 1925—12 noon.

5. Your 2, January 27, 6 p. m. Please deliver the following note to Minister for Foreign Affairs:

"I have the honor to inform you that I have communicated to my Government your note of (supply date) and am instructed to reply as follows:

The Government of the United States has noted with surprise that Your Excellency's note gives no indication of any intention on the part of the Ecuadorean Government to meet the situation complained of in my note of (supply date). Your note merely asserts that this is not a case for diplomatic intervention and that no action has been taken in the Ecuadorean courts.

In reply to this contention I am instructed to say that the Government of the United States will always assert the right to interpose

diplomatically on behalf of its citizens whenever in its judgment there is occasion for such action. In the present instance it believes that there is such an occasion. My Government considers that the Association of Agriculturists of Ecuador is not to be regarded as a private concern, because of the public functions which it fulfills, and also because the Government of Ecuador has made itself responsible for the operation of the Association and the payment of its debts through the legislative decrees of December 20, 1912, October 13, 1916, and October 15, 1921;⁶ the action of the Executive in November 1921, directing the apportionment of receipts of taxes among the creditors, and by various assurances given by successive Presidents of Ecuador both to the American Minister and to the Mercantile Bank.

In my note to which your note under acknowledgment is in reply it was pointed out that for the past three years the Association of Agriculturists has made no sincere attempt to reach a settlement in this matter. The equitable proposals on the part of the Mercantile Bank of the Americas, namely, arbitration before the Chamber of Commerce of the United States of America to determine the amount due the bank or, as an alternative, the auditing of the accounts by a well-known and reputable firm of certified public accountants, whose findings would be agreed to by both parties, have not been accepted by the Association of Agriculturists. During all these years no equitable way out has been suggested by the Association whose only proposition, besides refusing to accept accounts previously approved, was the presentation of a counter claim against the Bank based on purely fictitious sales. Furthermore the Association has deliberately discriminated against the Mercantile Bank by paying off all its other debts with the exception of one vale and has recently refused to pay even the twenty-two per cent allocated to the Mercantile Bank for the liquidation of its indebtedness or even to deposit this sum in escrow pending the acceptance of the amount of the accounts. In this connection it is pertinent to point out that the President of Ecuador has failed to take the necessary steps to bring about the satisfactory settlement of the matter, notwithstanding the power conferred upon him by law to control the affairs of the Association.

The only answer made by your Government regarding this most unsatisfactory situation was to maintain that there should be recourse to the courts of justice. My Government considers that it is justified in intervening on behalf of the Mercantile Bank in the present instance regardless of the absence of any litigation in the courts of Ecuador, because the Government of Ecuador through the express agreement of its Executive contained in his letter of February 5, 1922, to the American Minister,⁷ and through subsequent assurances given by his successor has relieved the American claimant from any obligation to appeal to the courts. It may be added in this connection that no judicial remedy would be adequate which did not embrace a decree subjecting the state or Government to an

⁶ Decree of Dec. 20, 1912, printed in *Anuario de Legislación Ecuatoriana*, 1912 (Quito, Imprenta y Encuadernación Nacionales, 1913), p. 255; decree of Oct. 13, 1916, in *Anuario*, 1916, part I, p. 190; decree of Oct. 15 (promulgated Oct. 17), 1921, in *Anuario*, 1921, p. 193.

⁷ Not printed.

obligation to provide by law through appropriate taxation for the payment of the debts of the Company. Inasmuch as legislative action appears to be requisite, my Government sees no alternative short of an urgent request through the diplomatic channel that the State of Ecuador by the appropriate domestic process make the necessary provision for the payment of the debts due the Bank which have been lawfully incurred by the Association.

The facts in this case are so clear and indisputable that it was a source of sincere regret to my Government that the Ecuadorean Government should make no serious effort to bring about its proper solution but was rather content to fall back on generalities regarding diplomatic intervention and the pursuing of legal remedy in the courts of justice. I have just made known to you the reasons why my Government, which insists upon the right to interpose diplomatically in behalf of its citizens whenever occasion requires, feels that it is justified in interposing in the present case without awaiting litigation in the courts. My Government furthermore desires me to make known to the Ecuadorean Government that a continuance of the course followed in this case, especially the refusal of the Association of Agriculturists of Ecuador, a quasi-public institution, to make any attempt to meet its just obligations as well as the failure of the Ecuadorean authorities to take the necessary measures to that end, for which they hold authority of law, cannot be regarded as a stable basis on which to maintain international relations between friendly states, and it therefore expects to be informed of the measures contemplated by the Ecuadorean Government to bring the matter to a satisfactory conclusion. My Government is confident that, notwithstanding what has occurred, the Ecuadorean Government animated by the high purposes which the Government of the United States imputes to it will make adequate and prompt response to the request hereinabove set forth."

Upon handing this note to the Minister for Foreign Affairs you may inform him orally of the seriousness with which this Government regards the situation and especially the attitude heretofore maintained by the Ecuadorean Government. Keep Department fully advised of the results of your representations.

[Paraphrase] The Department has carefully considered this case; if the Ecuadorean Government should continue to maintain its unreasonable attitude and not present a satisfactory reply within a reasonable time, the Department would give serious consideration to the recall of the Minister for consultation in regard to the situation, after which it will decide whether or not it will continue to be represented by a Minister Plenipotentiary and to receive a diplomatic representative of like category from Ecuador in Washington. [End paraphrase.]

KELLOGG

822.61334/176 : Telegram

The Minister in Ecuador (Bading) to the Secretary of State

QUITO, May 6, 1925—4 p. m.

[Received May 7—7:30 p. m.]

15. Referring to the Department's telegram of May 4, 5 p. m., second paragraph.⁸ It is believed that the delay has been due to unsettled political conditions here and to the Ecuadorean Government's awaiting the outcome of negotiations between the association and Mr. Stabler⁹ in Guayaquil. The Legation has just learned that an agreement has been reached, Mr. Stabler reporting by telegraph May 1st that an agreement not yet signed on that date provides that Association of Agriculturists cedes to the Mercantile Bank 1,666,085 sucres being balance 66 percent tax since law of 1921 and sums collected prior to this last month and free titles to association real estate valued today at 350,000 sucres. Association deposits Banco Commercial 1,271,566 sucres being balance 34 percent tax since law of '21 same not to be withdrawn until authorized by Congress which association obligates itself to try to obtain next session (in August). Association remains in existence with reduced expenses until the end of the year so as to collect legally. It is estimated that tax should produce 1,600,000 sucres including April deposits, so bank should receive a total of from 4,800,000 to 5,000,000 sucres, approximately one million dollars.

Stabler has requested that the Department be informed of the necessity of action by Congress in order that the American Government may point out to the Ecuadorean Government the advisability of early passage of the act by Congress as the association cannot use 34 percent, amounting to 1,815,566 sucres or over one-third of the total amount involved without such authority.

Since the bank and the association apparently have reached this final settlement it is presumed that the Department will desire to await the reply of the Ecuadorean Government to the Department's last note on the subject before taking any further action. I shall again urge the Ecuadorean Minister for Foreign Affairs to send a prompt reply.

BADING

⁸ Not printed; it instructed the Minister to endeavor to expedite reply to Department's note cabled on March 17.

⁹ Jordan Herbert Stabler, representing the Mercantile Bank.

822.61334/175 : Telegram

The Acting Secretary of State to the Minister in Ecuador (Bading)

WASHINGTON, May 9, 1925—6 p. m.

12. Department has received letter directly from Mercantile Bank of the Americas stating that a settlement has been reached substantially as given in your 15, May 6, 4 P. M.

You should, however, continue to report promptly by cable any important developments affecting this case.¹⁰

GREW

**WITHHOLDING OF RECOGNITION BY THE UNITED STATES OF THE
REVOLUTIONARY GOVERNMENT IN ECUADOR**

822.00/590 : Telegram

The Chargé in Ecuador (De Lambert) to the Secretary of State

GUAYAQUIL, July 10, 1925—4 p. m.

[Received July 11—5 p. m.]

28. Last night a military *coup d'état* headed by General Gomez de la Torre and the younger members of the Army took place in Quito, Guayaquil and other cities of Ecuador. President Cordova and all the members of the Cabinet together with some other individuals are being held under guard in their homes. All is quiet here and present indications are that there will be no bloodshed or public disorder.

The triumvirate at present in charge is made up of General Gomez de la Torre, Señor Luis Napoleon Dillon and Jose Rafael Bustamante and it seems others will be asked to join the new government today or tomorrow. They seem to have the situation well under control but as all telegraphic communication is being controlled we have no information as to conditions outside of the Capital today. So far as we have been able to learn all Americans in Ecuador are safe and no American interests are endangered.

DE LAMBERT

822.00/590 : Telegram

The Secretary of State to the Chargé in Ecuador (De Lambert)

WASHINGTON, July 14, 1925—4 p. m.

19. Your 28, July 10, 4 p. m. Pending crystalization of present political situation you are instructed carefully to avoid any action

¹⁰ On May 18, 4 p. m., the Minister informed the Department that an agreement between the Mercantile Bank and the Association of Agriculturists had been signed on May 15 (file No. 822.61334/178).

which might be construed as recognition of the regime actually functioning in Ecuador. Communication with the *de facto* authorities should be friendly but personal and strictly informal omitting use of titles such as Minister for Foreign Affairs, etc.

KELLOGG

702.2211/57 : Telegram

The Secretary of State to the Chargé in Ecuador (De Lambert)

WASHINGTON, July 28, 1925—2 p. m.

25. Your 33, July 21, 11 a. m.¹¹ While Department can not issue exequaturs to consular officers holding commissions from an unrecognized regime it would be disposed at the request of the Ecuadoran Legation to permit Consular officers appointed by the authorities now functioning in Ecuador to carry on their duties provisionally without exequaturs.¹²

KELLOGG

701.2211/123

The Secretary of State to the Ecuadoran Chargé (Barberis)

WASHINGTON, July 29, 1925.

SIR: Acknowledgement is made of the receipt of Mr. Ochoa's note of July 20, 1925,¹³ by which he advised me that, owing to events which have recently taken place in his country, he had tendered his resignation of the office of Envoy Extraordinary and Minister Plenipotentiary of Ecuador to the United States; that his resignation had been accepted by the Government Board constituted in consequence of the events referred to; and that he had turned over the affairs of the Legation to you in the capacity of Chargé d'Affaires ad interim.

While it is not the intention of this Department to discontinue the transaction of business with the Legation, I desire to state, in order to avoid misapprehension, that it should be understood that this Department's action in so doing is not to be construed as a recognition by this Government of the régime now functioning in Ecuador as other than the *de facto* authorities in control of the administration of Ecuador.

Accept [etc.]

FRANK B. KELLOGG

¹¹ Not printed; the Chargé reported among other matters that the regime in Ecuador had requested him to ascertain if the United States would grant exequaturs to new Ecuadoran consular officers (file No. 822.00/596).

¹² Subsequently the regime in Ecuador appointed Señor de Ycaza to be consul general at New York, and he was permitted to carry on his duties (file No. 702.2211/59).

¹³ Not printed.

ESTONIA

AGREEMENT BETWEEN THE UNITED STATES AND ESTONIA FOR MUTUAL UNCONDITIONAL MOST-FAVORED-NATION TREATMENT IN CUSTOMS MATTERS, SIGNED MARCH 2, 1925

611.60 1 31/5a

*The Secretary of State to the Estonian Minister (Püip)*¹

WASHINGTON, March 2, 1925.

SIR: I have the honor to make the following statement of my understanding of the agreement reached through recent conversations held at Washington on behalf of the Government of the United States and the Government of the Republic of Esthonia with reference to the treatment which the United States shall accord to the commerce of Esthonia and which Esthonia shall accord to the commerce of the United States.

These conversations have disclosed a mutual understanding between the two Governments which is that, in respect to import, export and other duties and charges affecting commerce, as well as in respect to transit, warehousing and other facilities and the treatment of commercial travelers' samples, the United States will accord to Esthonia and Esthonia will accord to the United States, its territories and possessions, unconditional most-favored-nation treatment; and that in the matter of licensing or prohibitions of imports or exports, the United States and Esthonia, respectively, so far as they at any time maintain such a system, will accord to the commerce of the other treatment as favorable, with respect to commodities, valuations and quantities, as may be accorded to the commerce of any other country.

It is understood that

No higher or other duties shall be imposed on the importation into or disposition in the United States, its territories or possessions, of any articles the produce or manufacture of Esthonia than are or shall be payable on like articles the produce or manufacture of any foreign country:

No higher or other duties shall be imposed on the importation into or disposition in Esthonia of any articles the produce or manufac-

¹ The draft for an exchange of notes regarding reciprocal unconditional most-favored-nation treatment was submitted to the Estonian Legation on Feb. 5, 1925, and was accepted, as here printed, by the Estonian Government after minor changes.

ture of the United States, its territories or possessions, than are or shall be payable on like articles the produce or manufacture of any foreign country:

Similarly, no higher or other duties shall be imposed in the United States, its territories or possessions, or in Esthonia on the exportation of any articles to the other or to any territory or possession of the other, than are payable on the exportation of like articles to any foreign country:

Every concession with respect to any duty, charge or regulation affecting commerce now accorded or that may hereafter be accorded by the United States or by Esthonia, by law, proclamation, decree or commercial treaty or agreement, to any foreign country will become immediately applicable without request and without compensation to the commerce of Esthonia and of the United States and its territories and possessions, respectively.

Provided that this understanding does not relate to

(1) The treatment which the United States accords or may hereafter accord to the commerce of Cuba or any of the territories or possessions of the United States or the Panama Canal Zone, or to the treatment which is or may hereafter be accorded to the commerce of the United States with any of its territories or possessions or to the commerce of its territories or possessions with one another.

(2) The treatment which Esthonia accords or may hereafter accord to the commerce of Finland, Latvia, Lithuania, Russia, and/or to the states in custom or economic union with Esthonia, or to all of those states, so long as such special treatment is not accorded to any other state.

(3) Prohibitions or restrictions of a sanitary character or designed to protect human, animal or plant life or regulations for the enforcement of police or revenue laws.

The present arrangement shall become operative on the day when the ratification of the present note by the Esthonian Parliament will be notified to the Government of the United States and, unless sooner terminated by mutual agreement shall continue in force until thirty days after notice of its termination shall have been given by either party; but should either party be prevented by future action of its legislature from carrying out the terms of this arrangement, the obligations thereof shall thereupon lapse.

I shall be glad to have your confirmation of the accord thus reached.

Accept [etc.]

CHARLES E. HUGHES

611.601 31/6

The Estonian Minister (Piip) to the Secretary of State

WASHINGTON, March 2, 1925.

SIR: I have the honor to make the following statement of my understanding of the agreement reached through recent conversations held at Washington on behalf of the Government of the Republic of Esthonia and the Government of the United States with reference to the treatment which Esthonia shall accord to the commerce of the United States and which the United States shall accord to the commerce of Esthonia.

These conversations have disclosed a mutual understanding between the two Governments which is that, in respect to import, export and other duties and charges affecting commerce, as well as in respect to transit, warehousing and other facilities and the treatment of commercial travelers' samples, the United States will accord to Esthonia and Esthonia will accord to the United States, its territories and possessions, unconditional most-favored-nation treatment; and that in the matter of licensing or prohibitions of imports or exports, the United States and Esthonia, respectively, so far as they at any time maintain such a system, will accord to the commerce of the other treatment as favorable, with respect to commodities, valuations and quantities, as may be accorded to the commerce of any other country.

It is understood that

No higher or other duties shall be imposed on the importation into or disposition in the United States, its territories or possessions, of any articles the produce or manufacture of Esthonia than are or shall be payable on like articles the produce or manufacture of any foreign country:

No higher or other duties shall be imposed on the importation into or disposition in Esthonia of any articles the produce or manufacture of the United States, its territories or possessions, than are or shall be payable on like articles the produce or manufacture of any foreign country:

Similarly, no higher or other duties shall be imposed in the United States, its territories or possessions, or in Esthonia on the exportation of any articles to the other or to any territory or possession of the other, than are payable on the exportation of like articles to any foreign country:

Every concession with respect to any duty, charge or regulation affecting commerce now accorded or that may hereafter be accorded by the United States or by Esthonia, by law, proclamation, decree or commercial treaty or agreement, to any foreign country will become

immediately applicable without request and without compensation to the commerce of Esthonia and of the United States and its territories and possessions, respectively.

Provided that this understanding does not relate to

(1) The treatment which the United States accords or may hereafter accord to the commerce of Cuba or any of the territories or possessions of the United States or the Panama Canal Zone, or to the treatment which is or may hereafter be accorded to the commerce of the United States with any of its territories or possessions or to the commerce of its territories or possessions with one another.

(2) The treatment which Esthonia accords or may hereafter accord to the commerce of Finland, Latvia, Lithuania, Russia, and/or to the states in custom or economic union with Esthonia, or to all of those states, so long as such special treatment is not accorded to any other state.

(3) Prohibitions or restrictions of a sanitary character or designed to protect human, animal or plant life or regulations for the enforcement of police or revenue laws.

The present arrangement shall become operative on the day when the ratification of the present note by the Esthonian Parliament will be notified to the Government of the United States and, unless sooner terminated by mutual agreement shall continue in force until thirty days after notice of its termination shall have been given by either party; but should either party be prevented by future action of its legislature from carrying out the terms of this arrangement, the obligations thereof shall thereupon lapse.

I shall be glad to have your confirmation of the accord thus reached.

Accept [etc.]

A. PIIIP

611.60131/12

The Estonian Minister (Piip) to the Secretary of State

WASHINGTON, August 1, 1925.

EXCELLENCY: I have the honour to inform you that I am directed by the Minister of Foreign Affairs of the Esthonian Republic to notify you that the notes exchanged on March 2, 1925, between your predecessor and myself, regarding the treatment which Esthonia shall accord to commerce of the United States and which the United States shall accord to the commerce of Esthonia, have been ratified by the Esthonian Parliament on June 19, 1925.

In consideration of the above, the arrangement made through the exchange of notes on March 2, 1925, according to the stipulation foreseen therein, becomes operative on this present day.

I have [etc.]

A. PIIIP

**TREATY OF FRIENDSHIP, COMMERCE AND CONSULAR RIGHTS
BETWEEN THE UNITED STATES AND ESTONIA, SIGNED DECEMBER
23, 1925**

Treaty Series No. 736

*Treaty Between the United States of America and Estonia and
Accompanying Protocol, Signed at Washington, December 23,
1925*²

The United States of America and the Republic of Esthonia, desirous of strengthening the bond of peace which happily prevails between them, by arrangements designed to promote friendly intercourse between their respective territories through provisions responsive to the spiritual, cultural, economic and commercial aspirations of the peoples thereof, have resolved to conclude a Treaty of Friendship, Commerce and Consular Rights and for that purpose have appointed as their plenipotentiaries.

The President of the United States of America:

Frank B. Kellogg, Secretary of State of the United States of America, and

The Government of the Republic of Esthonia:

Antonius Piip, Envoy Extraordinary and Minister Plenipotentiary,

Who, having communicated to each other their full powers found to be in due form, have agreed upon the following articles:

ARTICLE I

The nationals of each of the High Contracting Parties shall be permitted to enter, travel and reside in the territories of the other; to exercise liberty of conscience and freedom of worship; to engage in scientific, religious, philanthropic, manufacturing and commercial work of every kind without interference; to carry on every form of commercial activity which is not forbidden by the local law; to engage in every trade, vocation and profession not reserved exclusively to nationals of the country; to own, erect or lease and occupy appropriate buildings and to lease lands for residential, scientific, religious, philanthropic, manufacturing, commercial and mortuary purposes; to employ agents of their choice, and generally to do anything incidental to or necessary for the enjoyment of any of the foregoing privileges upon the same terms as nationals of the state of residence

² In English only. Ratification advised by the Senate, Mar. 25, 1926; ratified by the President, Apr. 17, 1926; ratified by Estonia, Apr. 27, 1926; ratifications exchanged at Tallinn, May 22, 1926; proclaimed by the President, May 25, 1926.

or as nationals of the nation hereafter to be most favored by it, submitting themselves to all local laws and regulations duly established.

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.

The nationals of each High Contracting Party shall enjoy freedom of access to the courts of justice of the other on conforming to the local laws, as well for the prosecution as for the defense of their rights, and in all degrees of jurisdiction established by law.

The nationals of each High Contracting Party shall receive within the territories of the other, upon submitting to conditions imposed upon its nationals, the most constant protection and security for their persons and property, and shall enjoy in this respect that degree of protection that is required by international law. Their property shall not be taken without due process of law and without payment of just compensation.

Nothing contained in this Treaty shall be construed to affect existing statutes of either of the High Contracting Parties in relation to the immigration of aliens or the right of either of the High Contracting Parties to enact such statutes.

ARTICLE II

With respect to that form of protection granted by National, State or Provincial laws establishing civil liability for injuries or for death, and giving to relatives or heirs or dependents of an injured party a right of action or a pecuniary benefit, such relatives or heirs or dependents of the injured party, himself a national of either of the High Contracting Parties and within any of the territories of the other, shall regardless of their alienage or residence outside of the territory where the injury occurred, enjoy the same rights and privileges as are or may be granted to nationals, and under like conditions.

ARTICLE III

The dwellings, warehouses, manufactories, shops, and other places of business, and all premises thereto appertaining of the nationals of each of the High Contracting Parties in the territories of the other, used for any purposes set forth in Article I, shall be respected. It shall not be allowable to make a domiciliary visit to, or search of any such buildings and premises, or there to examine and inspect books, papers or accounts, except under the conditions and in conformity with the forms prescribed by the laws, ordinances and regulations for nationals.

ARTICLE IV

Where, on the death of any person holding real or other immovable property or interests therein within the territories of one High Contracting Party, such property or interests therein would, by the laws of the country or by a testamentary disposition, descend or pass to a national of the other High Contracting Party, whether resident or non-resident, were he not disqualified by the laws of the country where such property or interests therein is or are situated, such national shall be allowed a term of three years in which to sell the same, this term to be reasonably prolonged if circumstances render it necessary, and withdraw the proceeds thereof, without restraint or interference, and exempt from any succession, probate or administrative duties or charges other than those which may be imposed in like cases upon the nationals of the country from which such proceeds may be drawn.

Nationals of either High Contracting Party may have full power to dispose of their personal property of every kind within the territories of the other, by testament, donation or otherwise, and their heirs, legatees and donees, of whatsoever nationality, whether residents or non-resident, shall succeed to such personal property, and may take possession thereof, either by themselves or by others acting for them, and retain or dispose of the same at their pleasure subject to the payment of such duties or charges only as the nationals of the High Contracting Party within whose territories such property may be or belong shall be liable to pay in like cases.

ARTICLE V

The nationals of each of the High Contracting Parties in the exercise of the right of freedom of worship, within the territories of the other, as hereinabove provided, may, without annoyance or molestation of any kind by reason of their religious belief or otherwise, conduct services either within their own houses or within any appropriate buildings which they may be at liberty to erect and maintain in convenient situations, provided their teachings or practices are not contrary to public order or public morals; and they may also be permitted to bury their dead according to their religious customs in suitable and convenient places established and maintained for the purpose, subject to the reasonable mortuary and sanitary laws and regulations of the place of burial.

ARTICLE VI

In the event of war between either High Contracting Party and a third State, such Party may draft for compulsory military service

nationals of the other having a permanent residence within its territories and who have formally, according to its laws, declared an intention to adopt its nationality by naturalization, unless such individuals depart from the territories of said belligerent Party within sixty days after a declaration of war.

ARTICLE VII

Between the territories of the High Contracting Parties there shall be freedom of commerce and navigation. The nationals of each of the High Contracting Parties equally with those of the most favored nation, shall have liberty freely to come with their vessels and cargoes to all places, ports and waters of every kind within the territorial limits of the other which are or may be open to foreign commerce and navigation. Nothing in this treaty shall be construed to restrict the right of either High Contracting Party to impose, on such terms as it may see fit, prohibitions or restrictions of a sanitary character designed to protect human, animal, or plant life, or regulations for the enforcement of police or revenue laws.

Each of the High Contracting Parties binds itself unconditionally to impose no higher or other duties or conditions and no prohibition on the importation of any article, the growth, produce or manufacture, of the territories of the other than are or shall be imposed on the importation of any like article, the growth, produce or manufacture of any other foreign country.

Each of the High Contracting Parties also binds itself unconditionally to impose no higher or other charges or other restrictions or prohibitions on goods exported to the territories of the other High Contracting Party than are imposed on goods exported to any other foreign country.

Any advantage of whatsoever kind which either High Contracting Party may extend to any article, the growth, produce, or manufacture of any other foreign country shall simultaneously and unconditionally, without request and without compensation, be extended to the like article the growth, produce or manufacture of the other High Contracting Party.

All articles which are or may be legally imported from foreign countries into ports of the United States or are or may be legally exported therefrom in vessels of the United States may likewise be imported into those ports or exported therefrom in Estonian vessels, without being liable to any other or higher duties or charges whatsoever than if such articles were imported or exported in vessels of the United States; and, reciprocally, all articles which are or may be legally imported from foreign countries into the

ports of Esthonia or are or may be legally exported therefrom in Esthonian vessels may likewise be imported into these ports or exported therefrom in vessels of the United States without being liable to any other or higher duties or charges whatsoever than if such articles were imported or exported in Esthonian vessels.

With respect to the amount and collection of duties on imports and exports of every kind, each of the two High Contracting Parties binds itself to give to the nationals, vessels and goods of the other the advantage of every favor, privilege or immunity which it shall have accorded to the nationals, vessels and goods of a third State, whether such favored State shall have been accorded such treatment gratuitously or in return for reciprocal compensatory treatment. Every such favor, privilege or immunity which shall hereafter be granted the nationals, vessels or goods of a third State shall simultaneously and unconditionally, without request and without compensation, be extended to the other High Contracting Party, for the benefit of itself, its nationals and vessels.

The stipulations of this Article do not extend to the treatment which is accorded by the United States to the commerce of Cuba under the provisions of the Commercial Convention concluded by the United States and Cuba on December 11, 1902,³ or any other commercial convention which hereafter may be concluded by the United States with Cuba, or to the commerce of the United States with any of its dependencies and the Panama Canal Zone under existing or future laws, or to the treatment which Esthonia accords or may hereafter accord to the commerce of Finland, Latvia, Lithuania, Russia, and/or to the States in custom or economic union with Esthonia, or to all of those States, so long as such special treatment is not accorded to any other State.

ARTICLE VIII

The nationals and merchandise of each High Contracting Party within the territories of the other shall receive the same treatment as nationals and merchandise of the country with regard to internal taxes, transit duties, charges in respect to warehousing and other facilities and the amount of drawbacks and bounties.

ARTICLE IX

No duties of tonnage, harbor, pilotage, lighthouse, quarantine, or other similar or corresponding duties or charges of whatever denomination, levied in the name or for the profit of the Government, public functionaries, private individuals, corporations or establishments

³ *Foreign Relations*, 1903, p. 375.

of any kind shall be imposed in the ports of the territories of either country upon the vessels of the other, which shall not equally, under the same conditions, be imposed on national vessels. Such equality of treatment shall apply reciprocally to the vessels of the two countries respectively from whatever place they may arrive and whatever may be their place of destination.

ARTICLE X

Merchant vessels and other privately owned vessels under the flag of either of the High Contracting Parties, and carrying the papers required by its national laws in proof of nationality shall, both within the territorial waters of the other High Contracting Party and on the high seas, be deemed to be the vessels of the Party whose flag is flown.

ARTICLE XI

Merchant vessels and other privately owned vessels under the flag of either of the High Contracting Parties shall be permitted to discharge portions of cargoes at any port open to foreign commerce in the territories of the other High Contracting Party, and to proceed with the remaining portions of such cargoes to any other ports of the same territories open to foreign commerce, without paying other or higher tonnage dues or port charges in such cases than would be paid by national vessels in like circumstances, and they shall be permitted to load in like manner at different ports in the same voyage outward, provided, however, that the coasting trade of the High Contracting Parties is exempt from the provisions of this Article and from the other provisions of this Treaty, and is to be regulated according to the laws of each High Contracting Party in relation thereto. It is agreed, however, that the nationals of either High Contracting Party shall within the territories of the other enjoy with respect to the coasting trade the most favored nation treatment.

ARTICLE XII

Limited liability and other corporations and associations, whether or not for pecuniary profit, which have been or may hereafter be organized in accordance with and under the laws, National, State or Provincial, of either High Contracting Party and maintain a central office within the territories thereof, shall have their juridical status recognized by the other High Contracting Party provided that they pursue no aims within its territories contrary to its laws. They shall enjoy free access to the courts of law and equity, on conforming to the laws regulating the matter, as well for the prose-

cution as for the defense of rights in all the degrees of jurisdiction established by law.

The right of such corporations and associations of either High Contracting Party so recognized by the other to establish themselves within its territories, establish branch offices and fulfill their functions therein shall depend upon, and be governed solely by, the consent of such Party as expressed in its National, State, or Provincial laws.

ARTICLE XIII

The nationals of either High Contracting Party shall enjoy within the territories of the other, reciprocally and upon compliance with the conditions there imposed, such rights and privileges as have been or may hereafter be accorded the nationals of any other State with respect to the organization of and participation in limited liability and other corporations and associations, for pecuniary profit or otherwise, including the rights of promotion, incorporation, purchase and ownership and sale of shares and the holding of executive or official positions therein. In the exercise of the foregoing rights and with respect to the regulation or procedure concerning the organization or conduct of such corporations or associations, such nationals shall be subjected to no condition less favorable than those which have been or may hereafter be imposed upon the nationals of the most favored nation. The rights of any of such corporations or associations as may be organized or controlled or participated in by the nationals of either High Contracting Party within the territories of the other to exercise any of their functions therein, shall be governed by the laws and regulations, National, State or Provincial, which are in force or may hereafter be established within the territories of the Party wherein they propose to engage in business. The foregoing stipulations do not apply to the organization of and participation in political associations.

The nationals of either High Contracting Party shall, moreover, enjoy within the territories of the other, reciprocally and upon compliance with the conditions there imposed, such rights and privileges as have been or may hereafter be accorded the nationals of any other State with respect to the mining of coal, phosphate, oil, oil shale, gas, and sodium on the public domain of the other.

ARTICLE XIV

Commercial travelers representing manufacturers, merchants and traders domiciled in the territories of either High Contracting Party shall on their entry into and sojourn in the territories of the other Party and on their departure therefrom be accorded the most fa-

vored nation treatment in respect of customs and other privileges and of all charges and taxes of whatever denomination applicable to them or to their samples.

ARTICLE XV

There shall be complete freedom of transit through the territories including territorial waters of each High Contracting Party on the routes most convenient for international transit, by rail, navigable waterway, and canal, other than the Panama Canal and waterways and canals which constitute international boundaries, to persons and goods coming from or going through the territories of the other High Contracting Party, except such persons as may be forbidden admission into its territories or goods of which the importation may be prohibited by law. Persons and goods in transit shall not be subjected to any transit duty, or to any unnecessary delays or restrictions, and shall be given national treatment as regards charges, facilities, and all other matters.

Goods in transit must be entered at the proper custom house, but they shall be exempt from all customs or other similar duties.

All charges imposed on transport in transit shall be reasonable, having regard to the conditions of the traffic.

ARTICLE XVI

Each of the High Contracting Parties agrees to receive from the other, consular officers in those of its ports, places and cities, where it may be convenient and which are open to consular representatives of any foreign country.

Consular officers of each of the High Contracting Parties shall after entering upon their duties, enjoy reciprocally in the territories of the other all the rights, privileges, exemptions and immunities which are enjoyed by officers of the same grade of the most favored nation. As official agents, such officers shall be entitled to the high consideration of all officials, national or local, with whom they have official intercourse in the State which receives them.

The Governments of each of the High Contracting Parties shall furnish free of charge the necessary exequatur of such consular officers of the other as present a regular commission signed by the chief executive of the appointing State and under its great seal; and they shall issue to a subordinate or substitute consular officer duly appointed by an accepted superior consular officer with the approbation of his Government, or by any other competent officer of that Government, such documents as according to the laws of the respective countries shall be requisite for the exercise by the appointee of the consular function. On the exhibition of an exequatur, or other

document issued in lieu thereof to such subordinate, such consular officer shall be permitted to enter upon his duties and to enjoy the rights, privileges and immunities granted by this treaty.

ARTICLE XVII

Consular officers, nationals of the State by which they are appointed, shall be exempt from arrest except when charged with the commission of offenses locally designated as crimes other than misdemeanors and subjecting the individual guilty thereof to punishment. Such officers shall be exempt from military billetings, and from service of any military or naval, administrative or police character whatsoever.

In criminal cases the attendance at the trial by a consular officer as a witness may be demanded by the prosecution or defence. The demand shall be made with all possible regard for the consular dignity and the duties of the office; and there shall be compliance on the part of the consular officer.

Consular officers shall be subject to the jurisdiction of the courts in the State which receives them in civil cases, subject to the proviso, however, that when the officer is a national of the State which appoints him and is engaged in no private occupation for gain, his testimony shall be taken orally or in writing at his residence or office and with due regard for his convenience. The officer should, however, voluntarily give his testimony at the trial whenever it is possible to do so without serious interference with his official duties.

ARTICLE XVIII

Consular officers, including employees in a consulate, nationals of the State by which they are appointed other than those engaged in private occupations for gain within the State where they exercise their functions shall be exempt from all taxes, National, State, Provincial and Municipal, levied upon their persons or upon their property, except taxes levied on account of the possession or ownership of immovable property situated in, or income derived from property of any kind situated or belonging within the territories of the State within which they exercise their functions. All consular officers and employees, nationals of the State appointing them shall be exempt from the payment of taxes on the salary, fees or wages received by them in compensation for their consular services.

Lands and buildings situated in the territories of either High Contracting Party, of which the other High Contracting Party is the legal or equitable owner and which are used exclusively for governmental purposes by that owner, shall be exempt from taxation of

every kind, National, State, Provincial and Municipal, other than assessments levied for services or local public improvements by which the premises are benefited.

ARTICLE XIX

Consular officers may place over the outer door of their respective offices the arms of their State with an appropriate inscription designating the official office. Such officers may also hoist the flag of their country on their offices including those situated in the capitals of the two countries. They may likewise hoist such flag over any boat or vessel employed in the exercise of the consular function.

The Consular offices and archives shall at all times be inviolable. They shall under no circumstances be subjected to invasion by any authorities of any character within the country where such offices are located. Nor shall the authorities under any pretext make any examination or seizure of papers or other property deposited within a consular office. Consular offices shall not be used as places of asylum. No consular officers shall be required to produce official archives in court or testify as to their contents.

Upon the death, incapacity, or absence of a consular officer having no subordinate consular officer at his post, secretaries or chancellors, whose official character may have previously been made known to the government of the State where the consular function was exercised, may temporarily exercise the consular function of the deceased or incapacitated or absent consular officer; and while so acting shall enjoy all the rights, prerogatives and immunities granted to the incumbent.

ARTICLE XX

Consular officers, nationals of the State by which they are appointed, may, within their respective consular districts, address the authorities, National, State, Provincial or Municipal, for the purpose of protecting their countrymen in the enjoyment of their rights accruing by treaty or otherwise. Complaint may be made for the infraction of those rights. Failure upon the part of the proper authorities to grant redress or to accord protection may justify interposition through the diplomatic channel, and in the absence of a diplomatic representative, a consul general or the consular officer stationed at the capital may apply directly to the government of the country.

ARTICLE XXI

Consular officers may, in pursuance of the laws of their own country, take, at any appropriate place within their respective

districts, the depositions of any occupants of vessels of their own country, or of any national of, or of any person having permanent residence within the territories of, their own country. Such officers may draw up, attest, certify and authenticate unilateral acts, deeds, and testamentary dispositions of their countrymen, and also contracts to which a countryman is a party. They may draw up, attest, certify and authenticate written instruments of any kind purporting to express or embody the conveyance or encumbrance of property of any kind within the territory of the State by which such officers are appointed, and unilateral acts, deeds, testamentary dispositions and contracts relating to property situated, or business to be transacted within, the territories of the State by which they are appointed, embracing unilateral acts, deeds, testamentary dispositions or agreements executed solely by nationals of the State within which such officers exercise their functions.

Instruments and documents thus executed and copies and translations thereof, when duly authenticated under his official seal by the consular officer shall be received as evidence in the territories of the contracting parties as original documents or authenticated copies, as the case may be, and shall have the same force and effect as if drawn by and executed before a notary or other public officer duly authorized in the country by which the consular officer was appointed; provided, always that such documents shall have been drawn and executed in conformity to the laws and regulations of the country where they are designed to take effect.

ARTICLE XXII

A consular officer shall have exclusive jurisdiction over controversies arising out of the internal order of private vessels of his country, and shall alone exercise jurisdiction in cases, wherever arising, between officers and crews, pertaining to the enforcement of discipline on board, provided the vessel and the persons charged with wrongdoing shall have entered a port within his consular district. Such an officer shall also have jurisdiction over issues concerning the adjustment of wages and the execution of contracts relating thereto provided the local laws so permit.

When an act committed on board of a private vessel under the flag of the State by which the consular officer has been appointed and within the territorial waters of the State to which he has been appointed constitutes a crime according to the laws of that State, subjecting the person guilty thereof to punishment as a criminal, the consular officer shall not exercise jurisdiction except in so far as he is permitted to do so by the local law.

A consular officer may freely invoke the assistance of the local police authorities in any matter pertaining to the maintenance of internal order on board of a vessel under the flag of his country within the territorial waters of the State to which he is appointed, and upon such a request the requisite assistance shall be given.

A consular officer may appear with the officers and crews of vessels under the flag of his country before the judicial authorities of the State to which he is appointed to render assistance as an interpreter or agent.

ARTICLE XXIII

In case of the death of a national of either High Contracting Party in the territory of the other without having in the territory of his decease any known heirs or testamentary executors by him appointed, the competent local authorities shall at once inform the nearest consular officer of the State of which the deceased was a national of the fact of his death, in order that necessary information may be forwarded to the parties interested.

In case of the death of a national of either of the High Contracting Parties without will or testament, in the territory of the other High Contracting Party, the consular officer of the State of which the deceased was a national and within whose district the deceased made his home at the time of death, shall, so far as the laws of the country permit and pending the appointment of an administrator and until letters of administration have been granted, be deemed qualified to take charge of the property left by the decedent for the preservation and protection of the same. Such consular officer shall have the right to be appointed as administrator within the discretion of a tribunal or other agency controlling the administration of estates provided the laws of the place where the estate is administered so permit.

Whenever a consular officer accepts the office of administrator of the estate of a deceased countryman, he subjects himself as such to the jurisdiction of the tribunal or other agency making the appointment for all necessary purposes to the same extent as a national of the country where he was appointed.

ARTICLE XXIV

A consular officer of either High Contracting Party may in behalf of his non-resident countrymen receipt for their distributive shares derived from estates in process of probate or accruing under the provisions of so-called Workmen's Compensation Laws or other like statutes provided he remit any funds so received through the appro-

private agencies of his Government to the proper distributees, and provided further that he furnish to the authority or agency making distribution through him reasonable evidence of such remission.

ARTICLE XXV

A consular officer of either High Contracting Party shall have the right to inspect within the ports of the other High Contracting Party within his consular district, the private vessels of any flag destined or about to clear for ports of the country appointing him in order to observe the sanitary conditions and measures taken on board such vessels, and to be enabled thereby to execute intelligently bills of health and other documents required by the laws of his country, and to inform his Government concerning the extent to which its sanitary regulations have been observed at ports of departure by vessels destined to its ports, with a view to facilitating entry of such vessels therein.

ARTICLE XXVI

Each of the High Contracting Parties agrees to permit the entry free of all duty of all furniture, equipment and supplies intended for official use in the consular offices of the other, and to extend to such consular officers of the other and their families and suites as are its nationals, the privilege of entry free of duty of their baggage and all other personal property, accompanying the officer to his post; provided, nevertheless, that no article, the importation of which is prohibited by the law of either of the High Contracting Parties, may be brought into its territories. Personal property imported by consular officers, their families or suites during the incumbancy of the officers in office shall be accorded the customs privileges and exemptions accorded to consular officers of the most favored nation.

It is understood, however, that the privileges of this article shall not be extended to consular officers who are engaged in any private occupation for gain in the countries to which they are accredited, save with respect to governmental supplies.

ARTICLE XXVII

All proceedings relative to the salvage of vessels of either High Contracting Party wrecked upon the coasts of the other shall be directed by the Consular Officer of the country to which the vessel belongs and within whose district the wreck may have occurred. Pending the arrival of such officer, who shall be immediately informed of the occurrence, the local authorities shall take all necessary measures for the protection of persons and the preservation of

wrecked property. The local authorities shall not otherwise interfere than for the maintenance of order, the protection of the interests of the salvors, if these do not belong to the crews that have been wrecked and to carry into effect the arrangements made for the entry and exportation of the merchandise saved. It is understood that such merchandise is not to be subjected to any custom house charges, unless it be intended for consumption in the country where the wreck may have taken place.

The intervention of the local authorities in these different cases shall occasion no expense of any kind, except such as may be caused by the operations of salvage and the preservation of the goods saved, together with such as would be incurred under similar circumstances by vessels of the nation.

ARTICLE XXVIII

Subject to any limitation or exception hereinabove set forth, or hereafter to be agreed upon the territories of the High Contracting Parties to which the provisions of this Treaty extend shall be understood to comprise all areas of land, water, and air over which the Parties respectively claim and exercise dominion as sovereign thereof, except the Panama Canal Zone.

ARTICLE XXIX

Except as provided in the third paragraph of this Article the present Treaty shall remain in full force for the term of ten years from the date of the exchange of ratifications, on which date it shall begin to take effect in all of its provisions.

If within one year before the expiration of the aforesaid period of ten years neither High Contracting Party notifies to the other an intention of modifying by change or omission, any of the provisions of any of the articles in this Treaty or of terminating it upon the expiration of the aforesaid period, the Treaty shall remain in full force and effect after the aforesaid period and until one year from such a time as either of the High Contracting Parties shall have notified to the other an intention of modifying or terminating the Treaty.

The fifth paragraph of Article VII and Articles IX and XI shall remain in force for twelve months from the date of exchange of ratification, and if not then terminated on ninety days' previous notice shall remain in force until either of the High Contracting Parties shall enact legislation inconsistent therewith when the same shall automatically lapse at the end of sixty days from such enactment, and on such lapse each High Contracting Party shall enjoy

all the rights which it would have possessed had such paragraphs or articles not been embraced in the Treaty.

ARTICLE XXX

The present Treaty shall be ratified, and the ratifications thereof shall be exchanged at Washington or Tallinn as soon as possible.

In witness whereof the respective Plenipotentiaries have signed the same and have affixed their seals thereto.

Done in duplicate, at Washington, this 23rd day of December, 1925.

FRANK B. KELLOGG [SEAL]

A. PIIP [SEAL]

PROTOCOL

ACCOMPANYING TREATY OF FRIENDSHIP, COMMERCE AND CONSULAR RIGHTS

At the moment of signing the Treaty of Friendship, Commerce and Consular Rights between the United States of America and the Republic of Esthonia, the undersigned plenipotentiaries duly authorized by their respective Governments have agreed as follows:

1. Exemptions from requirements of giving security or making deposits for costs in judicial proceedings (*cautio judicatum solvi*) and the benefit of free judicial aid are not embraced within the provisions of paragraph 3 of Article I of the Treaty, but in respect of these matters nationals of the United States in Esthonia and nationals of Esthonia in the United States shall be subject to the municipal laws applicable to aliens in general. It is, however, understood that inasmuch as in the United States privileges of this character are regulated largely by the laws of the several States, nationals of the United States, domiciled in States which accord such exemptions and benefits to nationals of Esthonia freely or on the basis of reciprocity shall be accorded the exemptions and benefits authorized by Esthonian law.

2. If either High Contracting Party shall deem necessary the presentation of an authentic document establishing the identity and authority of commercial travelers representing manufacturers, merchants or traders domiciled in the territories of the other party in order that such commercial traveler may enjoy in its territories the privileges accorded under Article XIV of this Treaty, the High Contracting Parties will agree by exchange of notes on the form of such document and the authorities or persons by whom it shall be issued.

3. The provisions of Article XV do not prevent the High Contracting Parties from levying on traffic in transit dues intended

solely to defray expenses of supervision and administration entailed by such transit, the rate of which shall correspond as nearly as possible with the expenses which such dues are intended to cover and shall not be higher than the rates charged on other traffic of the same class on the same routes.

4. Wherever the term "consular officer" is used in this Treaty it shall be understood to mean Consuls General, Consuls, Vice Consuls and Consular Agents to whom an exequatur or other document of recognition has been issued pursuant to the provisions of paragraph 3 of Article XVI.

5. In addition to consular officers, attachés, chancellors and secretaries, the number of employees to whom the privileges authorized by Article XVIII shall be accorded shall not exceed five at any one post.

In faith whereof the undersigned Plenipotentiaries have signed the present Protocol and affixed thereto their respective seals.

Done in duplicate at Washington the 23rd day of December, 1925.

FRANK B. KELLOGG [SEAL]

A. ПИИР [SEAL]

FINLAND

AGREEMENT BETWEEN THE UNITED STATES AND FINLAND FOR MUTUAL UNCONDITIONAL MOST-FAVORED-NATION TREATMENT IN CUSTOMS MATTERS, SIGNED MAY 2, 1925

611.60 d 31/15 : Telegram

The Acting Secretary of State to the Minister in Finland (Kagey)

WASHINGTON, August 1, 1924—6 p. m.

16. Your 8, July 27, 1923, 10 a. m.¹ Department's instruction 81, August 16, 1923.² (1) The Department on July 31st handed to the Finnish Minister a draft note for the immediate conclusion of a *modus vivendi*, to be effected through exchange of notes assuring reciprocal unconditional most-favored-nation treatment in commercial matters. The text of the proposed note is as follows:

"I have the honor to make the following statement of my understanding of the agreement reached through recent conversations held at Washington on behalf of the Government of the United States and the Government of Finland with reference to the treatment which the United States shall accord to the commerce of Finland and which Finland shall accord to the commerce of the United States.

These conversations have disclosed a mutual understanding between the two Governments which is that in respect to import and export duties, light, harbor, port and tonnage dues and all other charges affecting commerce, as well as in respect to transit, warehousing and other facilities, and the treatment of commercial travelers' samples, the United States will accord to Finland, and Finland will accord to the United States, its territories and possessions, unconditional most-favored-nation treatment; and that in the matter of licensing or prohibitions of imports or exports, each country, so far as it at any time maintains such a system, will accord to the commerce of the other treatment as favorable, with respect to commodities, valuations and quantities, as may be accorded to the commerce of any other country.

It is understood that

¹ Not printed. On July 19, 1923, the Secretary of State telegraphed to the Minister in Finland inquiring whether the Finnish Government would be disposed to enter into negotiations with the United States at an early date with a view to the conclusion of a general treaty of amity, commerce and consular rights. The Minister replied in his telegram No. 8, July 27, 1923, that the Foreign Office had expressed its readiness to open negotiations.

² Not printed. This instruction transmitted a draft treaty of friendship and commerce which had been submitted to the Finnish Government through its Legation in Washington. The draft was similar to that transmitted to the Ambassador in Spain, May 18, 1923, which is printed in *Foreign Relations*, 1923, vol. II, p. 831.

No higher or other duties shall be imposed on the importation into or disposition in the United States, its territories or possessions, of any articles the produce or manufacture of Finland than are or shall be payable on like articles the produce or manufacture of any foreign country;

No higher or other duties shall be imposed on the importation into or disposition in Finland of any articles the produce or manufacture of the United States, its territories or possessions, than are or shall be payable on like articles the produce or manufacture of any foreign country;

Similarly, no higher or other duties shall be imposed in the United States, its territories or possessions, or in Finland, on the exportation of any article[s] to the other or to any territory or possession of the other, than are payable on the exportation of like articles to any foreign country;

Every concession with respect to any duty, charge or regulation affecting commerce now accorded or that may hereafter be accorded by the United States or by Finland, by law, proclamation, decree or commercial treaty or agreement, to any third country will become immediately applicable without request and without compensation to the commerce of Finland and of the United States and its territories and possessions, respectively:

Provided that this understanding does not relate to

(1) The treatment which the United States accords or may hereafter accord to the commerce of Cuba or any of the territories or possessions of the United States or the Panama Canal Zone, or to the treatment which is or may hereafter be accorded to the commerce of the United States with any of its territories or possessions or to the commerce of its territories or possessions with one another.

(2) The treatment which Finland may accord to the commerce of Esthonia.

(3) Prohibitions or restrictions of a sanitary character or designed to protect human, animal or plant life or regulations for the enforcement of police or revenue laws.

The present arrangement shall become operative on the day of signature and, unless sooner terminated by mutual agreement, shall continue in force until thirty days after notice of its termination shall have been given by either party; but should either party be prevented by future action of its legislature from carrying out the terms of this arrangement, the obligations thereof shall thereupon lapse.

I shall be glad to have your confirmation of the accord thus reached. Accept, Sir, the renewed assurance of my high consideration."

(2) For your information I informed the Minister confidentially that the Department was awaiting action by the Senate on German commercial treaty³ before proceeding with negotiation of other similar treaties. I then referred to complaints received from American exporters concerning Finnish discriminations against American commerce, also to the discriminatory port duties imposed on American

³ Signed Dec. 8, 1923; see *ibid.*, p. 29.

ships by Finland, and stated that in view of the very favorable treatment granted by the United States to Finnish imports, which are largely admitted into the United States free of duty (as in the case of wood pulp, hides and skins) it was obviously unreasonable that Finland should discriminate against the United States. The Minister stated he believed his Government would welcome such an arrangement, but that it would have to be considered by a Committee in Helsingfors and that because that Committee was probably dispersed during the summer and because the Minister for Foreign Affairs was absent there might be some delay. He stated that he would urge early action but that he desired to study the note for two or three days before making detailed recommendations to his government.

(3) In handing the Minister draft note I stated that Department would cable the text to you to hand to the Finnish Government. Please hand a copy as soon as possible to the Minister for Foreign Affairs and endeavor to expedite favorable action so that Minister in Washington may be authorized to enter into the proposed exchange as soon as possible. Please telegraph important developments.

GREW

611.60 d 31/24

Memorandum by the Under Secretary of State (Grew)

[WASHINGTON,] *October 30, 1924.*

The Finnish Minister left with me today the appended revised draft as a counter proposal of the Finnish Government for an exchange of notes to establish a *modus vivendi* for reciprocal most-favored-nation treatment. I said that we would study the matter and, if necessary, would request him to come again to the Department to explain any points in the revised draft which might not be clear.

With respect to the consular provisions, the Minister said that these had been incorporated in the draft as they would tend to commend the document to Parliament which, without them, might not favor the proposed procedure.

J. C. G[REW]

[Enclosure]

Revised Draft for an Exchange of Notes Between the Finnish and American Governments

SIR: I have the honor to make the following statement of my understanding of the agreement reached through recent conversations held at Washington on behalf of the Government of the United States and the Government of Finland with reference to the treatment which the United States shall accord to the commerce, navigation, citizens, corporations and Consuls General, Consuls, Vice Con-

suls and Consular Agents of Finland and which Finland shall accord to the commerce, navigation, citizens, corporations and Consuls General, Consuls, Vice Consuls and Consular Agents of the United States.

These conversations have disclosed a mutual understanding between the two Governments which is that in respect to import and export duties, light, harbor, port and tonnage dues and all other charges affecting commerce and navigation, as well as in respect to transit, warehousing and other facilities, and the treatment of commercial travelers' samples, and in respect of any taxes, imposts or charges of whatever denomination, the United States will accord to Finland, and Finland will accord to the United States, its territories and possessions, unconditional most-favored-nation treatment; and that in the matter of licensing or prohibitions of imports or exports, each country, so far as it at any time maintains such a system, will accord to the commerce of the other treatment as favorable, with respect to commodities, valuations and quantities, as may be accorded to the commerce of any other country.

It is understood that

No higher or other duties shall in any case, be imposed on the importation into or disposition in the United States, its territories or possessions, of any articles the produce or manufacture of Finland than are or shall be payable on like articles the produce or manufacture of any foreign country;

No higher or other duties shall, in any case, be imposed on the importation into or disposition in Finland of any articles the produce or manufacture of the United States, its territories or possessions, than are or shall be payable on like articles the produce or manufacture of any foreign country;

Similarly, no higher or other duties shall be imposed in the United States, its territories or possessions, or in Finland, on the exportation of any articles to the other or to any territory or possession of the other, than are payable on the exportation of like articles to any foreign country;

The citizens and corporations of the United States, its territories and colonies, shall be accorded in Finland, and the citizens and corporations of Finland, shall be accorded in the United States, its territories and colonies in every respect a treatment not less favorable than that which is accorded to the citizens and corporations of the most favored nation.

The Consuls General, Consuls, Vice Consuls and Consular Agents of the United States and Finland, in the territories and colonies of the other, shall enjoy all of the rights, privileges, liberties, favors, exemptions and immunities that are enjoyed by consular officers of the same rank and quality of the most favored nation.

Every concession with respect to any duty, charge or regulation affecting commerce and navigation, or treatment of citizens and corporations, or concerning the rights and privileges of Consuls General, Consuls, Vice Consuls and Consular Agents now accorded, or that may hereafter be accorded by the United States or by Finland, by law, proclamation, decree or commercial treaty or agreement, to any third country will become immediately applicable without request and without compensation to the commerce, navigation, or treatment of citizens and corporations, or concerning the rights and privileges of Consuls General, Consuls, Vice Consuls and Consular Agents of Finland and of the United States and its territories and possessions, respectively:

Provided that this understanding does not relate to

(1) The treatment which the United States accords or may hereafter accord to the commerce of Cuba or any of the territories or possessions of the United States or the Panama Canal Zone, or to the treatment which is or may hereafter be accorded to the commerce of the United States with any of its territories or possessions or to the commerce of its territories or possessions with one another.

(2) The treatment which Finland actually accords or may hereafter accord to Estonia; the treatment in regard to the employment of pilots which Finland actually accords or may hereafter accord to Sweden in respect to navigation north of 59 degrees north latitude; the treatment which Finland actually accords or may hereafter accord to Russia in regard to fishing and sealing in the Arctic waters of Finland; nor the treatment which Finland accords to France in Article 6 of the Treaty of Commerce concluded between Finland and France July 13, 1921.⁴

(3) Prohibitions or restrictions of a sanitary character or designed to protect human, animal or plant life.

It is understood that the present arrangement, with the exception of the stipulations concerning customs duties and navigation, shall not become operative until both parties have notified each other that the necessary legislative measures have been carried out, but that the stipulations concerning customs duties and navigation shall be applied after the expiration of thirty days from the day I shall have received your confirmation of this arrangement. The arrangement shall, thereupon, be in force until the ordinary Treaty of commerce, navigation and consular representation to be concluded, shall have come into force, unless, prior to that time, either contracting party shall have given notice of its intention to terminate the same, in which case this arrangement shall cease to be in force three months after the notice of termination.

I shall be glad to have your confirmation of the accord thus reached.

Accept, Sir, etc.

⁴ League of Nations, *Treaty Series*, vol. xxix, p. 445.

611.60 d 31/27a

*The Department of State to the Finnish Legation*⁵

MEMORANDUM

The draft for an exchange of notes between the United States and Finland, which was handed to the Minister of Finland by the Under Secretary of State on July 31, 1924,⁶ related only to the treatment of commerce. By the counter-draft presented to the Under Secretary of State by the Minister of Finland on October 30, 1924,⁷ the scope of the *modus vivendi*, as is indicated by the language of the preamble, would be enlarged so as to provide also for the treatment to be accorded to "navigation, citizens, corporations and consuls general, consuls, vice-consuls and consular agents". The counter-draft provides in its twelfth paragraph that the stipulations concerning customs duties and navigation shall be brought into effect thirty days after the exchange of notes shall have been made, and that with the exception of these stipulations the arrangement shall become operative after each party shall have notified the other that the necessary legislative measures have been brought into effect.

Specific stipulations in regard to the subjects which the Government of Finland proposes to add to the arrangement are introduced throughout the counter-draft. With most of these proposals the Government of the United States is sympathetic and it will be glad to consider them when negotiations for a general treaty of friendship, commerce and consular rights are resumed between the United States and Finland. The United States is constrained, however, to request that, in the proposed *modus vivendi*, Finland will not insist on them. It is the hope of the United States that the proposed *modus vivendi* may become operative at an early date, but that it will within a short time give place to a long-term general treaty.

The particulars in which the counter-draft differs from the draft submitted to the Minister of Finland by the Under Secretary of State may be considered in order as follows:

The Government of Finland proposes to apply the stipulation in the second paragraph for unconditional most-favored-nation treatment to navigation and to "taxes, imposts or charges of whatever denomination", as well as to commerce, to transit, warehousing and other facilities, commercial travelers' samples and the licensing and prohibition of importations and exportations.

⁵This paper bears the annotation: "Original handed to the Minister of Finland, March 17, 1925, by Mr. Evan Young, Chief of the Division of Eastern European Affairs. W[allace] Mc[Clure]."

⁶See telegram No. 16, Aug. 1, 1924, to the Minister in Finland, p. 86.

⁷*Supra.*

The United States prefers that the treatment to be accorded its vessels in ports of Finland and that to be accorded Finnish vessels in ports of the United States should be on the basis of national rather than most-favored-nation treatment. Under the laws of the United States certain charges on navigation, known as alien tonnage taxes and light money, which do not apply to vessels of the United States are chargeable on vessels of foreign countries. By stipulations of treaties, vessels of many maritime countries have been placed on an equality with vessels of the United States with respect to these charges. Apart from an agreement by treaty, the President is empowered by Act of Congress to suspend and discontinue by proclamation the collection of alien tonnage taxes and light money on the vessels of foreign countries, and also the collection of discriminating duties on goods imported in vessels of such countries, when he has received satisfactory proof from foreign governments that no discriminating duties of tonnage or imposts are levied in their ports on the vessels of the United States or on the goods imported in them. The method prescribed by the Act of Congress is considered as exclusive of all other methods for the suspending of alien navigation charges except stipulation by treaty. The Government of the United States is, therefore, not in a position to accord by exchange of notes national treatment to Finnish vessels in ports of the United States. It is ready, however, to recommend to the President the issuance of his proclamation according national treatment to Finnish vessels in ports of the United States upon the receipt of formal assurances from the Government of Finland that the discriminating charges against vessels of the United States in ports of Finland have been discontinued and that no discriminating tonnage or import dues are imposed or levied on American ships or their cargoes in the ports of Finland. A copy of a proclamation which the President issued in regard to the vessels of Germany is enclosed.⁸

In reference to internal taxation it is necessary to mention that in the United States both the Federal Government and the State Governments have the power to levy taxes. It is within the power of both Federal and State Governments to levy discriminating taxes upon aliens. By a treaty, which under a provision of the Constitution is the supreme law of the land, the United States may and does assure to the nationals of other countries the same treatment in respect to taxation in the United States as is enjoyed by nationals of the United States or by nationals of the most favored nation. Such an assurance could not well be given by the United States otherwise than by treaty. The provision in the counter-draft that stipulations in regard to taxation will remain inoperative until appropriate legislation is passed

⁸ Not printed.

for giving them effect, does not render the proposal to include them in the *modus vivendi* acceptable to the Government of the United States for the reason that it is impracticable for the Federal Government to undertake to obtain the necessary legislation. The Government of the United States, accordingly, must ask the Government of Finland to omit the matter of internal taxation from the proposed *modus vivendi* and leave it for consideration when the proposed commercial treaty is under negotiation.

The counter-draft contains a paragraph according most-favored-nation treatment to citizens and corporations of Finland in the United States and to citizens and corporations of the United States in Finland. Here, also, authority, except when exercised through treaty, is divided between the Federal Government and the governments of the States. The latter may within their sphere discriminate between nationals and aliens and between domestic and foreign corporations. It is, therefore, not practicable for the Government of the United States to consider this proposal of the Finnish Government except in the negotiation of a treaty.

The counter-draft also contains a paragraph according most-favored-nation treatment to consular officers. It has not been the practice of the United States to enter into agreements permitting the exercise of consular functions in this country otherwise than by treaty and this Government regards it as impracticable to enter into such an agreement in an exchange of notes. The Government of the United States must, accordingly, request that the Government of Finland defer consideration of consular rights until such time as a treaty may be under negotiation between the two countries.

To the exceptions from the matters to which the proposed *modus vivendi* relates the Government of Finland adds the following:

The treatment in regard to the employment of pilots which Finland actually accords or may hereafter accord to Sweden in respect to navigation north of 59° north latitude; the treatment which Finland actually accords or may hereafter accord to Russia in regard to fishing and sealing in the Arctic waters of Finland; nor the treatment which Finland accords to France in Article 6 of the Treaty of Commerce concluded between Finland and France July 13, 1921.

In view of the fact that the United States must ask that matters relating to navigation be excluded from the pending *modus vivendi*, the first of these exceptions becomes irrelevant. Likewise, as the subjects of fishing and sealing are not embraced in the notes, an exception with respect to particular privileges in these matters is unnecessary. The Government of the United States is glad to accede to the wishes of the Government of Finland and to except from the matters to which the *modus vivendi* relates the treatment which

Finland accords to France in Article 6 of the Treaty of Commerce of July 13, 1921.

It is noted that the exception "or regulations for the enforcement of police or revenue laws", contained in the paragraph the fourth from the end of the original draft, does not appear in the counter-draft. This exception is deemed important by the Government of the United States and it is requested that the Government of Finland agree to its retention in the *modus vivendi*.

In view of the fact that the United States must insist upon confining the present exchange of notes to the subject of commerce, it is assumed that the Government of Finland will not care to retain the proposal for changing the provisions of the original note in regard to the coming into force of the *modus vivendi*. The Government of the United States must, moreover, request the retention of the following language in the paragraph relating to the termination of the arrangement:

but should either party be prevented by future action of its legislature from carrying out the terms of this arrangement, the obligations thereof shall thereupon lapse.

The proposed *modus vivendi* is an executive agreement and not a treaty. It should be made clear, therefore, that the provisions of the *modus vivendi* will be dominated by legislation which the Congress of the United States or the Parliament of Finland may in the future enact.

A draft of a note prepared by the Department of State in accordance with the foregoing explanations is attached hereto for the consideration of the Government of Finland.⁹

611.60 d 31/32a

The Secretary of State to the Finnish Minister (Åström)

WASHINGTON, May 2, 1925.

SIR: I have the honor to make the following statement of my understanding of the agreement reached through recent conversations held at Washington on behalf of the Government of the United States and the Government of Finland with reference to the treatment which the United States shall accord to the commerce of Finland and which Finland shall accord to the commerce of the United States.

These conversations have disclosed a mutual understanding between the two Governments which is that in respect to import and ex-

⁹Not printed; the notes exchanged May 2 (printed *infra*) are substantially the same as this draft, the principal modification being the date on which the agreement was to go into effect.

port duties and other duties and charges affecting commerce, as well as in respect to transit, warehousing and other facilities, and the treatment of commercial travelers' samples, the United States will accord to Finland, and Finland will accord to the United States, its territories and possessions, unconditional most-favored-nation treatment; and that in the matter of licensing or prohibitions of imports or exports, each country, so far as it at any time maintains such a system, will accord to the commerce of the other treatment as favorable, with respect to commodities, valuations and quantities, as may be accorded to the commerce of any other country.

It is understood that,—

No higher or other duties shall be imposed on the importation into or disposition in the United States, its territories or possessions, of any articles the produce or manufacture of Finland than are or shall be payable on like articles the produce or manufacture of any foreign country;

No higher or other duties shall be imposed on the importation into or disposition in Finland of any articles the produce or manufacture of the United States, its territories or possessions, than are or shall be payable on like articles the produce or manufacture of any foreign country;

Similarly, no higher or other duties shall be imposed in the United States, its territories or possessions, or in Finland, on the exportation of any articles to the other or to any territory or possession of the other than are payable on the exportation of like articles to any foreign country;

Every concession with respect to any duty, charge or regulation affecting commerce now accorded or that may hereafter be accorded by the United States or by Finland, by law, proclamation, decree or commercial treaty or agreement, to any third country will become immediately applicable without request and without compensation to the commerce of Finland and of the United States and its territories and possessions, respectively:

Provided that this understanding does not relate to

(1) The treatment which the United States accords or may hereafter accord to the commerce of Cuba or any of the territories or possessions of the United States or the Panama Canal Zone, or the treatment which is or may hereafter be accorded to the commerce of the United States with any of its territories or possessions or to the commerce of its territories or possessions with one another.

(2) The treatment which Finland accords or may hereafter accord to the commerce of Esthonia or the treatment which Finland accords to France in Article 6 of the Treaty of Commerce concluded between Finland and France on July 13, 1921.

(3) Prohibitions or restrictions of a sanitary character or designed to protect human, animal or plant life or regulations for the enforce-

ment of police or revenue laws of the United States or of Finland relating to merchandise the importation or transportation of which is prohibited.

The present arrangement, in so far as it concerns import and export duties, shall become operative on the 15th day after the day I shall have received your confirmation of this agreement; in respect of all other matters it shall become operative when the Government of Finland shall have notified the Government of the United States that the legislative measures necessary for the purpose have been completed in Finland.

The present arrangement shall, unless sooner terminated by mutual agreement, continue in force until thirty days after notice of its termination shall have been given by either party; but should either party be prevented by future action of its legislature from carrying out the terms of this arrangement, the obligations thereof shall thereupon lapse.

I shall be glad to have your confirmation of the accord thus reached.

Accept [etc.]

FRANK B. KELLOGG

611.60 d 31/32

The Finnish Minister (Åström) to the Secretary of State

WASHINGTON, May 2, 1925.

SIR: I have the honor to make the following statement of my understanding of the agreement reached through recent conversations held at Washington on behalf of the Government of Finland and the Government of the United States with reference to the treatment which Finland shall accord to the commerce of the United States and which the United States shall accord to the commerce of Finland.

These conversations have disclosed a mutual understanding between the two Governments which is that in respect to import and export duties and other duties and charges affecting commerce, as well as in respect to transit, warehousing and other facilities, and the treatment of commercial travelers' samples, Finland will accord to the United States, its territories and possessions, and the United States will accord to Finland, unconditional most-favored-nation treatment; and that in the matter of licensing or prohibitions of imports or exports, each country, so far as it at any time maintains such a system, will accord to the commerce of the other treatment as favorable, with respect to commodities, valuations and quantities, as may be accorded to the commerce of any other country.

It is understood that,—

No higher or other duties shall be imposed on the importation into or disposition in Finland of any articles the produce or manufacture of the United States, its territories or possessions, than are or shall be payable on like articles the produce or manufacture of any foreign country;

No higher or other duties shall be imposed on the importation into or disposition in the United States, its territories or possessions, of any articles the produce or manufacture of Finland than are or shall be payable on like articles the produce or manufacture of any foreign country;

Similarly, no higher or other duties shall be imposed in Finland, or in the United States, its territories or possessions, on the exportation of any articles to the other or to any territory or possession of the other than are payable on the exportation of like articles to any foreign country;

Every concession with respect to any duty, charge or regulation affecting commerce now accorded or that may hereafter be accorded by Finland or by the United States, by law, proclamation, decree or commercial treaty or agreement, to any third country will become immediately applicable without request and without compensation to the commerce of the United States and its territories and possessions and of Finland, respectively:

Provided that this understanding does not relate to

The treatment which Finland accords or may hereafter accord to the commerce of Esthonia or the treatment which Finland accords to France in Article 6 of the Treaty of Commerce concluded between Finland and France on July 13, 1921.

The treatment which the United States accords or may hereafter accord to the commerce of Cuba or any of the territories or possessions of the United States or the Panama Canal Zone, or the treatment which is or may hereafter be accorded to the commerce of the United States with any of its territories or possessions or to the commerce of its territories or possessions with one another.

Prohibitions or restrictions of a sanitary character or designed to protect human, animal or plant life or regulations for the enforcement of police or revenue laws of Finland or of the United States relating to merchandise the importation or transportation of which is prohibited.

The present arrangement, in so far as it concerns import and export duties, shall become operative on the 15th day after the day I shall have received your confirmation of this agreement; in respect of all other matters it shall become operative when the Government of Finland shall have notified the Government of the United States that the legislative measures necessary for the purpose have been completed in Finland.

The present arrangement shall, unless sooner terminated by mutual agreement, continue in force until thirty days after notice of its termination shall have been given by either party; but should either party be prevented by future action of its legislature from carrying out the terms of this arrangement, the obligations thereof shall thereupon lapse.

I shall be glad to have your confirmation of the accord thus reached.

Accept [etc.]

L. ÅSTRÖM

611.60 d 31/42 : Telegram

The Secretary of State to the Minister in Finland (Pearson)

WASHINGTON, November 30, 1925—6 p. m.

28. The Finnish Minister here informed the Department on November 23 that a treaty between Finland and Spain, providing for certain conventional duties lower than the lowest rates the Government is authorized to grant without legislative approval, will go into effect on November 27.¹⁰ The commercial agreement with the United States, signed May 2, 1925, not having been ratified by the Diet, the Minister states that his Government is not empowered to extend conventional duties to American goods as contemplated by the most-favored-nation clause.

Please keep Department fully informed and, unless you have reasons for not doing so, you should urge the Finnish Government to bring about ratification at the earliest practicable date and make it retroactive to November 27. Should some days intervene an arrangement might be made for admitting goods under bond or remitting duties paid in excess of the new conventional rates as soon as the commercial agreement of May 2 is fully ratified. The best means for protecting American interests would seem to depend upon the exact situation and you are accordingly authorized to use your best judgment in the matter.

KELLOGG

611.60 d 31/43 : Telegram

The Minister in Finland (Pearson) to the Secretary of State

HELSINGFORS, December 2, 1925—2 p. m.

[Received December 2—10:22 a. m.]

46. Reference Department's telegram 28, November 30th, 4 [6] p. m. Received the following assurance in writing from Foreign Office, November 25th:

¹⁰ Treaty of July 16, 1925; see League of Nations, *Treaty Series*, vol. XLVII, p. 271.

"From the 27th of November onwards, the importation from the United States of America is accorded most-favored-nation treatment or else if any country has been entitled to duties below the base duties the American importation will be subjected to these base duties. After the final acceptance of the United States agreements the amount of the difference between the base duties and the agreement duties will be restored to the American importers."

Foreign Office assured me agreement will be ratified by Diet within two weeks.

PEARSON

611.60 d 31/49

The Finnish Minister (Åström) to the Secretary of State

WASHINGTON, December 24, 1925.

SIR: In the agreement concerning commerce, effected by exchange of notes on May 2, 1925, by the Government of Finland and the Government of the United States, the paragraph concerning its going into force reads as follows:

"The present arrangement, in so far as it concerns import and export duties, shall become operative on the 15th day after the day I shall have received your confirmation of this agreement; in respect of all other matters it shall become operative when the Government of Finland shall have notified the Government of the United States that the legislative measures necessary for the purpose have been completed in Finland."

I have the honor to inform Your Excellency that as the legislative measures necessary now have been completed, the agreement has been made effective in all its parts, in Finland.

Accept [etc.]

L. ÅSTRÖM

AGREEMENT BETWEEN THE UNITED STATES AND FINLAND RESPECTING TONNAGE DUES AND OTHER CHARGES, SIGNED DECEMBER 21, 1925

611.60 d 31/34b, c

*The Secretary of State to the Finnish Minister (Åström)*¹¹

WASHINGTON, April 30, 1925.

The Secretary of State presents his compliments to the Minister of Finland and has the honor to transmit herewith for the consideration of the Government of Finland a draft which, if adopted for an exchange of notes between the two Governments, would lead to the

¹¹ Handed to the Finnish Minister by the Under Secretary of State, May 2, 1925.

establishment of national treatment for the vessels of the United States in the ports of Finland and for the vessels of Finland in the ports of the United States in respect to tonnage dues and other charges on vessels and imposts on the goods imported in them.

The Secretary of State is prepared to effect an exchange of notes with the Minister of Finland in the form of the enclosed draft upon being informed by the Minister that the draft is acceptable to the Government of Finland and that he will make a reply in like terms.

The proclamation to be issued by the President of the United States would make the undertaking agreed to in the exchange of notes effective on the part of the United States as of the date on which notification is received that it has been made effective by the Government of Finland.

[Enclosure]

Draft for an Exchange of Notes Between the American and Finnish Governments

SIR: I have the honor to make the following statement of my understanding of the agreement reached through recent conversations held at Washington on behalf of the Government of the United States and the Government of Finland with reference to the treatment which the United States shall accord to the vessels of Finland and their cargoes in the ports of the United States, and which Finland shall accord to vessels of the United States and their cargoes in the ports of Finland.

These conversations have disclosed a mutual understanding between the two Governments, as follows:

On and after (insert date thirty days after date of signature) Finland will impose no tonnage duties, light, harbor or port dues, or other charges on vessels of the United States in the ports of Finland which are not imposed on vessels of Finland and Finland will levy no higher or other duties or charges on goods imported into or exported from its ports in vessels of the United States than are levied on like goods imported or exported in vessels of Finland.

The United States will impose no discriminating duties of tonnage on vessels of Finland in the ports of the United States and no discriminating imposts on the goods imported into the United States in vessels of Finland. This undertaking on the part of the United States will be effected by a proclamation to be issued by the President of the United States on the receipt of notification by him from the Government of Finland that the undertaking on the part of Finland stated in the preceding paragraph has been brought into force.

The present arrangement, unless sooner terminated by mutual agreement, shall continue in force until thirty days after notice of its termination shall have been given by either party; or, should either party be prevented by future action of its legislature from carrying out the terms of this arrangement the obligations thereof shall thereupon lapse.

I shall be glad to have your confirmation of the accord thus reached. Accept, Sir, the renewed assurance of my high consideration.

611.60 d 31/52

Memorandum by Mr. Wallace M. McClure, of the Office of the Economic Adviser

[WASHINGTON,] December 17, 1925.

The present draft, which is intended to be complete and ready for signature,¹² differs in no essential respect from the draft approved by the Department and handed to the Finnish Minister on May 2, 1925.

The Finnish Minister requested that the language of the note specifically set forth the fact that it does not apply to the Finnish requirements for the employment of pilots on vessels making use of its harbors; and also that it does not apply to the treatment accorded by Finland to Russian fishing vessels in Arctic waters.

Very probably the notes would not be interpreted as applying to either of these matters even in the absence of language especially excepting them. They appear to be of no interest to the United States and, accordingly, it would seem wise to accept them at the request of the Finnish Minister.

The matter of the employment of pilots is distinct from that of pilotage dues when pilots are employed. Where employment is required equality of dues to American vessels will be accorded. Exemption from the employment of pilots is, according to the statement of the Minister, confined to small vessels flying the flag of Finland or the flags of neighboring Baltic countries.

W[ALLACE] MC[CLURE]

811.841/286a

The Secretary of State to the Finnish Minister (Åström)

WASHINGTON, December 21, 1925.

SIR: I have the honor to make the following statement of my understanding of the agreement reached through recent conversations held

¹² No draft attached to this memorandum; the draft referred to is apparently the one signed by the Secretary of State Dec. 21, 1925, *infra*.

at Washington on behalf of the Government of the United States and the Government of Finland with reference to the treatment respecting tonnage dues and other charges which the United States shall accord to the vessels of Finland and their cargoes in the ports of the United States, and which Finland shall accord to vessels of the United States and their cargoes in the ports of Finland.

These conversations have disclosed a mutual understanding between the two Governments, as follows:

On and after February 1, 1926, Finland will impose no tonnage duties, light, harbor or port dues, or other charges on vessels of the United States in the ports of Finland which are not imposed on vessels of Finland, and Finland will levy no higher or other duties or charges on goods imported into its ports in vessels of the United States than are levied on like goods imported in vessels of Finland.

It is understood that, without altering the above stipulations insofar as the amount of pilotage dues is concerned, the duty of employing pilots by vessels of the United States shall be governed by the stipulations of the Finnish law in this respect about foreign vessels in general. It is also understood that the United States of America shall not, on the ground of the above stipulations, claim any privileges which Finland has conceded or will concede to Russian fishing or sealing vessels in the Arctic waters.

The United States will impose no discriminating duties of tonnage on vessels of Finland in the ports of the United States and no discriminating imposts on the goods imported into the United States in vessels of Finland. This undertaking on the part of the United States will be effected by a proclamation to be issued by the President of the United States on the receipt of notification by him from the Government of Finland that the undertaking on the part of Finland stated in the preceding paragraphs has been brought into force.

The present arrangement, unless sooner terminated by mutual agreement, shall continue in force until thirty days after notice of its termination shall have been given by either party; or, should either party be prevented by future action of its legislature from carrying out the terms of this arrangement the obligations thereof shall thereupon lapse.

I shall be glad to have your confirmation of the accord thus reached.

Accept [etc.]

FRANK B. KELLOGG

611.60 d 31/48

The Finnish Minister (Åström) to the Secretary of State[WASHINGTON,] *December 21, 1925.*

SIR: I have the honor to make the following statement of my understanding of the agreement reached through recent conversations held at Washington on behalf of the Government of Finland and the Government of the United States with reference to the treatment respecting tonnage dues and other charges which Finland shall accord to vessels of the United States and their cargoes in the ports of Finland, and which the United States shall accord to vessels of Finland and their cargoes in the ports of the United States.

These conversations have disclosed a mutual understanding between the two Governments, as follows:

On and after February 1, 1926, Finland will impose no tonnage duties, light, harbor or port dues, or other charges on vessels of the United States in the ports of Finland which are not imposed on vessels of Finland, and Finland will levy no higher or other duties or charges on goods imported into its ports in vessels of the United States than are levied on like goods imported in vessels of Finland.

It is understood that, without altering the above stipulations insofar as the amount of pilotage dues is concerned, the duty of employing pilots by vessels of the United States shall be governed by the stipulations of the Finnish law in this respect about foreign vessels in general. It is also understood that the United States of America shall not, on the ground of the above stipulations, claim any privileges which Finland has conceded or will concede to Russian fishing or sealing vessels in the Arctic waters.

The United States will impose no discriminating duties of tonnage on vessels of Finland in the ports of the United States and no discriminating imposts on the goods imported into the United States in vessels of Finland. This undertaking on the part of the United States will be effected by a proclamation to be issued by the President of the United States on the receipt of notification by him from the Government of Finland that the undertaking on the part of Finland stated in the preceding paragraphs has been brought into force.

The present arrangement, unless sooner terminated by mutual agreement, shall continue in force until thirty days after notice of its termination shall have been given by either party; or, should either party be prevented by future action of its Legislature from

carrying out the terms of this arrangement the obligations thereof shall thereupon lapse.

I shall be glad to have your confirmation of the accord thus reached.

Accept [etc.]

L. ÅSTRÖM

611.60 d 31/56

The Finnish Minister (Åström) to the Secretary of State

WASHINGTON, *January 30, 1926.*

SIR: Referring to the agreement effected by exchange of notes between Finland and the United States respecting tonnage dues and other charges, signed December 21, 1925, I have the honor to notify Your Excellency that, according to advice received by me from my Government, the statute bringing into force the agreement on the part of Finland has been enacted on January 29, of this year.

Accept [etc.]

L. ÅSTRÖM

FRANCE

PRECAUTIONS BY THE UNITED STATES FOR THE SAFETY OF AMERICANS DURING THE SYRIAN INSURRECTION

890d.00/192 : Telegram

The Consul at Beirut (Knabenshue) to the Secretary of State

[Paraphrase]

BEIRUT, August 7, 1925—2 p. m.

[Received August 8—12:57 p. m.]

The principal causes of the present Druse uprising are: (1) the failure of Sarrail¹ . . . to grant Djebel Druse a native governor; (2) the refusal to recall French governor who has treated the Druses in a manner which they consider intolerable; and (3) the arrest and deportation of notables of importance who were called, on the pretext of a conference, to Damascus.

On August 3d the French in their initial advance to relieve the garrison besieged at Souada were repulsed and forced to withdraw from Djebel Druse to their base at Ezraa. Many were killed and wounded and a great deal of artillery, ammunition, and supplies was abandoned. The defeat was due: (1) to a formidable attack of the Druses on the French main column as well as on the line of communications; (2) to exhaustion of the troops, caused by inadequate water and excessive heat; and (3) to the desertion of some of the Syrian and colonial units.

In the whole of Syria the French forces number only 8,000 colonial troops and 6,000 Syrian legion. The only French troops are technical units.

The French military situation here is fraught with dangerous possibilities. Increasing disaffection with resulting dangerous situation would probably follow the circulation of propaganda by Arab Moslems among the colonial and Syrian troops.

It is feared that unless important reinforcements arrive, the present forces will be insufficient to cope with the Druse uprising and at the same time to repel probably increasing raids along the Turkish frontier and the widespread brigandage which will undoubtedly prevail throughout the country as a result of the present situation.

¹ French High Commissioner for Syria and the Lebanon.

Fearing serious disorder, the French authorities at Damascus have sent their families to Beirut and have advised the American and Italian consuls to do likewise.

KNABENSHUE

890d.00/192 : Telegram

The Secretary of State to the Consul at Beirut (Knabenshue)

[Paraphrase]

WASHINGTON, August 10, 1925—noon.

Your telegram of August 7, 2 p. m. You are instructed to use your discretion, in consultation with the consul at Damascus, as to what action to take with respect to advising American citizens in the region affected by the Druse revolt to go to Beirut.

There are two United States destroyers in the Adriatic. If you think it necessary, the Department will take up with the Navy Department the question of sending one or both of them to Beirut or to Alexandria, from where they could easily go to Beirut if needed.

Telegraph report.

KELLOGG

890d.00/193 : Telegram

The Consul at Beirut (Knabenshue) to the Secretary of State

[Paraphrase]

BEIRUT, August 11, 1925—2 p. m.

[Received 2:30 p. m.]

Department's telegram of August 10, noon. It is not necessary or advisable to have American destroyers sent here at present. The only American citizens now in the affected region are naturalized citizens of Syrian origin who are living in their native villages. Order is being maintained in Damascus by reenforced police and troops. So far the rest of the country is quiet.

According to late information which is thought to be reliable, 5,000 French troops and a somewhat larger number of Druses were engaged in the battle of August 3. The French casualties are given as 1,200 and the Druses' 2,500, the latter resulting from sacrifices in a successful movement to lure the main body of French troops into an ambush. There is a rumor that since that battle the Druses have taken Souada with the besieged French garrison of about 400 soldiers. No further action is reported, the Druses for the moment remaining on the defensive and the French entrenching 6 miles south of Damascus and Kiswe. The French are awaiting reenforcements, of whom several hundred have since arrived.

KNABENSHUE

890d.00/213 : Telegram

*The Consul at Beirut (Knabenshue) to the Secretary of State*BEIRUT, *October 9, 1925—6 p. m.*

[Received October 9—4:37 p. m.]

As foreshadowed in despatches of September 2 and August 13² which please consult, brigandage and uprisings are now taking place at several important points in Syria as well as the Lebanon. On October 4th Bedouins attacked Hama and assisted by local gendarmes burned public buildings. French rushed troops and aeroplanes and destroyed practically entire Moslem quarter by bombing, causing casualties about 500.

Three villages within Lebanon have been sacked and destroyed by Druse raiders who are reported to have surrounded Rasheya.

Keeley³ reports that French flags were torn down during anti-French demonstration on Prophet's birthday, that despite official communiqué to contrary public security is becoming worse and that bandit attacks are taking place in city of Damascus and its environs, with guerrilla warfare increasing throughout the district.

Altaffer⁴ reports that outbreaks may be expected in Aleppo as result of Hama incident, that Moslems are threatening and Christians are uneasy and that all trains are under military escort.

If uprisings spread as is generally expected, situation will become serious, as French do not seem to have sufficient troops here to cope with both Druses and general uprisings. In any event the situation will probably become worse before it becomes better.

Economic situation is bad. Banks are refusing to discount bills and bankruptcies are expected. American exporters should be confidentially advised to demand interest [*irrevocable*] credits in New York.

KNABENSHUE

890d.48/13a : Telegram

*The Secretary of State to the Consul at Beirut (Knabenshue)*WASHINGTON, *October 17, 1925—6 p. m.*

Red Cross has received appeal from Dr. Ward⁵ for \$50,000 for 8,000 persons destitute in Hauran District as result of Druse uprising. Telegraph your recommendations.

Morning press reports, "Druse tribesmen have cut Damascus-Beirut railroad. Situation serious." Comment briefly.

KELLOGG

² Neither printed.³ James H. Keeley, Jr., consul at Damascus.⁴ Maurice W. Altaffer, vice consul at Aleppo.⁵ Dr. E. St. John Ward of the American University of Beirut, chairman of the Beirut chapter of the American Red Cross prior to its disbandment in 1924.

890d.48/14 : Telegram

The Consul at Beirut (Knabenshue) to the Secretary of State

BEIRUT, October 19, 1925—1 p. m.

[Received 3:30 p. m.]

Department's October 17, 6 p. m. I recommend Red Cross send \$50,000 for refugees in Hauran. New developments indicate possibly increased number refugees and need for additional relief funds. Railway Beirut-Damascus not yet reported cut but increasing brigandage automobile road environs Damascus last week caused French to send expedition against them [*sic*] killing 200 and capturing 100. The dead bodies were exhibited public square Damascus and several villages near Damascus were burned by French for having, it is alleged, given refuge to brigands. Relatives of killed and other sympathizers now in arms against French in environs Damascus reported to number 3,000. Moslem sympathizers in Damascus enraged at French action are now in revolt. Keeley has just reported by telephone that French are bombarding city of Damascus with field guns and aeroplanes and that city is on fire. He believes both railway and automobile road too unsafe to send his family away. It is rumored also that Armenian refugees in Damascus have been massacred. The situation serious because the revolt at Damascus may be the signal for general revolt throughout Moslem Syria in which event Christians would be greatest sufferers. Please request Navy Department to have two destroyers in Mediterranean ready to proceed to Alexandria if requested and from where they could come to Beirut if needed.

KNABENSHUE

890d.00/218 : Telegram

The Consul at Beirut (Knabenshue) to the Secretary of State

BEIRUT, October 19, 1925—5 p. m.

[Received 5:10 p. m.]

Keeley reports by telephone two-thirds Damascus in hands revolutionists of Damascus who tonight are expected to attack French forces numbering about 2,000. Foreigners have taken refuge in nearest available consulates. French reported to be withdrawing troops from Djebel Druse to relieve Damascus. Railway Beirut-Damascus now reported cut.

KNABENSHUE

890d.48/14 : Telegram

The Secretary of State to the Consul at Beirut (Knabenshue)

WASHINGTON, October 20, 1925—4 p. m.

Your October 19, 1 p. m., October 19, 5 p. m.

(1) Navy Department is ordering two destroyers to proceed immediately to Alexandria where they will be held in readiness to go to Beirut if situation requires. They may be diverted direct to Beirut if you so recommend.

(2) Department is consulting with Red Cross with respect to possible funds for refugee relief. From your telegrams it appears that situation on which original request of Ward was based has substantially changed and Department desires your recommendation in the light of recent developments. Particularly report whether and how many American citizens are likely to be in need of relief and if so where and approximately how much might be needed to meet this emergency. Also report regarding any serious emergency situation affecting native population, giving approximate numbers and location of needy, and possibility of proper distribution of relief under present conditions.

KELLOGG

890d.48/15 : Telegram

The Consul at Beirut (Knabenshue) to the Secretary of State

BEIRUT, October 21, 1925—6 p. m.

[Received October 21—5:15 p. m.]

Department's October 20, 4 p. m. Destroyers not needed or desired at Beirut at present moment but should await at Alexandria pending developments and my further advice.

No relief funds required for American citizens.

Christian residents Djebel Druse now refugees at Damascus, Esra and Deraa as a result Druse rebellion number approximately 8,000 and require immediate relief in nature of food and clothing. I recommend Red Cross send \$15,000 to American Emergency Relief Committee, address in care of consulate with instructions to distribute relief direct to refugees and not through local or other organizations. French authorities gratefully approve and will render all assistance possible. Conditions resulting from recent developments might cause some difficulty in actual distribution.

Armenian refugee camp at Damascus containing 6,000 Armenians reported to have been attacked and destroyed and many such refugees now arriving in Lebanon destitute. This situation will be investigated and a report thereof will follow.

KNABENSHUE

890d.00/226 : Telegram

*The Consul at Beirut (Knabenshue) to the Secretary of State*BEIRUT, *October 23, 1925—11 a. m.*

[Received 2:35 p. m.]

Demand from Damascus 100,000 pounds (Turkish) gold and 3,000 rifles by noon tomorrow, otherwise bombardment city will recommence. The President of the Syrian Assembly, who is one of the commission of seven representing people of Damascus who have just arrived at Beirut to negotiate matter with French High Commissioner, informed one of my staff that they intend to inform him that Damascus is unable to pay either the money or arms and that if, for failure to pay such fine, he recommences bombardment, it must be upon his own responsibility. . . . If bombardment recommences, situation will become most serious but it is [hoped?] and believed the arrangements will be made somehow to postpone or prevent bombardment. Would the Department not consider using good offices with Paris?

KNABENSHUE

890d.00/226 : Telegram

*The Secretary of State to the Consul at Beirut (Knabenshue)*WASHINGTON, *October 23, 1925—7 p. m.*

Your October 23, 11 a. m. Department has carefully considered suggestion in concluding sentence of your telegram but does not feel that it could appropriately intervene in present situation. We wish of course to do everything possible to protect American citizens if their lives are in danger. Keep Department fully informed.

KELLOGG

890d.00/227 : Telegram

*The Consul at Beirut (Knabenshue) to the Secretary of State*BEIRUT, *October 23, 1925—midnight.*

[Received October 23—11:25 p. m.]

Keeley reports State of Syria has guaranteed payment of fine (but the populace of Damascus oppose it) and the French have agreed at least to postpone bombardment pending more definite settlement.

Train service being reestablished, hundreds of refugees including Moslems, Christians, Americans and other foreigners are pouring into Beirut and more are expected. This is arousing resentment against situation and undermining general tranquility at Beirut.

Brigandage, assuming proportions guerrilla warfare, is increasing and spreading throughout Syria and uprisings similar to those at Hama and Damascus are potentially possible in this and other places.

In view of the report contained in my Oct. 23, 11 p. m.,⁶ I respectfully repeat last sentence my Oct. 23, 11 a. m.

KNABENSHUE

890d.00/228 : Telegram

The Secretary of State to the Ambassador in France (Herrick)

WASHINGTON, October 24, 1925—7 p. m.

391. I desire you to make immediate and vigorous representations to Minister for Foreign Affairs that this Government expects that all possible steps will be taken for the protection of American lives and property in Syria. In your representations you may make discreet use of information contained in paragraphs 1, 2 and 3 of Department's 390⁶ which tends to indicate failure on part of French authorities to extend adequate protection to American citizens in Damascus as well as a failure to give reasonable warning of impending danger to American Consul and our nationals from French bombardment and evacuation of their troops.

Further you may indicate that this Government reserves the right to demand settlement for any injury to American citizens and property and to make such further representations as the facts of the case may warrant in the event that it should appear that injury to American citizens or destruction of American property had resulted from unjustifiable action of the French Military forces. In this connection note what Keeley says with reference to French bombardment.

KELLOGG

890d.48/16 : Telegram

The Consul at Beirut (Knabenshue) to the Secretary of State

BEIRUT, October 26, 1925—6 p. m.

[Received October 26—4:51 p. m.]

Department's October 20, 4 p. m., and continuation of my October 21, 6 p. m. Now estimated that 12,000 Armenians who were refugees at Damascus are now in dire distress as result of Damascus incidents last week. Driven from their camps which with all their worldly goods were destroyed, they are now living in distress chiefly in churches, schools and garages in Damascus, needing food and clothing, while a few hundred have come to Beirut. Please inform American Red Cross and Near East Relief. I repeat recommendation that Red Cross send \$50,000 immediately and possibly more later.

KNABENSHUE

⁶ Not printed.

890d.00/231 : Telegram

The Secretary of State to the Consul at Beirut (Knabenshue)

WASHINGTON, October 27, 1925—6 p. m.

Department advised by Navy Department that destroyers *Coghlan* and *Lamson* arrived Alexandria on October 26th. It is understood that they will remain there pending further word from you as to whether their presence at Beirut may be required.

KELLOGG

890d.00/230 : Telegram

The Consul at Beirut (Knabenshue) to the Secretary of State

BEIRUT, October 28, 1925—4 p. m.

[Received 5:09 p. m.]

Following from Keeley:

“October 27, noon. Proclamation posted yesterday afternoon to the effect that if the total number of 3,000 rifles are not delivered by (February?) [*sic*] city will be fined 10,000 pounds (Turkish) daily thereafter until all rifles requested by French are delivered. It is reported that 1,500 or half the levy have been delivered to date.

Emir Tahir el Jazairely, who with his Algerian followers actively patrolled Christian quarter maintaining public order and reassuring Christians after the French fled, has been arrested for complicity in the revolution and for failure to obtain delivery of rifles. He is grandson of Abdel Kader who protected Christians in 1860.

Hassan Kharrati, the leader of the band which started the trouble in Damascus, is now reliably reported to be in the outskirts of Damascus with 300 men. Other bands are operating in surrounding vilages. All bands undoubtedly operating under the direction of revolutionists. Nassib Bey el Bakri nationalist himself heads a band. Banditry appears to be increasing environs Damascus but city itself is cowed.

Business remains inactive. I am pessimistic for the future unless . . . forces increased and policy changed.”

It is just reported here that Hama was bombed for the second time since original uprising there for failure to deliver rifles as fines for renewal minor disturbances.

As forecasted in my despatch No. 1964, of September 2nd,⁸ French operations against the Druses seem to have failed and resulted in stalemate. French have withdrawn from Djebel Druse proper and retired to their bases in the Hauran at Esraa, Museifreh, Basra and Deraa where they will await reinforcements, which they are at last convinced are necessary, and will probably not be able to resume offensive until next spring.

⁸ Not printed.

Suppressed excitement and nervousness prevails at Beirut; and, while it is not generally believed that an uprising will occur here, it is feared that a slight incident might inflame the Moslem population. I have today sent the following note to the High Commissioner:

"I have the honor to bring to your Excellency's attention that rumors have reached me that you have taken certain precautionary measures with a view to the bombardment of the city of Beirut in the event of an armed uprising against your authority.

I have the honor to request that in the event of your deeming it necessary to bombard the city of Beirut, you will be good enough to give me sufficient warning before the commencement of such bombardment to enable me to advise my nationals to take refuge in a place of safety.

As doyen of the consular corps in Beirut, I have the honor to ask that I may be permitted to advise my colleagues that you will likewise communicate a similar warning directly to each of them."

KNABENSHUE

890d.48/22a : Telegram

The Secretary of State to the Consul at Beirut (Knabenshue)

WASHINGTON, October 29, 1925—2 p. m.

Draw on Department for \$2,000 appropriated by Red Cross for relief of American citizens. This sum should be expended under general supervision of Consulate preferably through a committee of American citizens as need for relief of Americans arises. Submit account of disbursements.

Red Cross in consultation with the Department has carefully considered your telegraphic request for appropriation for general relief of refugees from Damascus and Hauran District⁹ but does not feel that it will be consistent with its policy to make appropriation under existing circumstances. Need for relief has been created by war conditions due in part, as appears from your telegrams, to tactics adopted in Syria by France. Relief appropriation by Red Cross at this time might create impression that Red Cross would assume a continuing responsibility to take over a burden which should rest squarely on the Mandatory authority.

KELLOGG

⁹ See telegrams of Oct. 19, 1 p. m., and Oct. 21, 6 p. m., from the consul at Beirut, pp. 108 and 109.

890d.00/232 : Telegram

The Consul at Beirut (Knabenshue) to the Secretary of State

BEIRUT, October 29, 1925—12 p. m.

[Received October 29—11:15 p. m.]

I have received from High Commissioner written assurance requested by note quoted in my telegram October 28, 4 p. m. He expresses strong conviction that uprising here improbable. I concur but believe it is not impossible. Keeley reports by telephone: (1) Only 2,200 rifles delivered to date; (2) destruction of houses throughout the disturbed area has made many thousands homeless, many of whom are joining ranks of brigands, numbers of whom [omission?] and now becoming formidable; (3) French have apparently taken no precautionary measures to prevent reentry of brigands into Damascus; (4) several districts near Damascus in the hands of brigands have declared their independence.

Brigand movement in Damascus and other regions shows indications of development into a widespread organized revolutionary movement.

KNABENSHUE

890d.48/23 : Telegram

The Consul at Beirut (Knabenshue) to the Secretary of State

BEIRUT, October 30, 1925—4 p. m.

[Received October 30—3 p. m.]

Department's telegram of October 29, 2 p. m. My recommendation for relief native refugees was based upon fact of their actual destitute condition and belief that Red Cross desired to come to relief if need could be shown to be real. There is no doubt that refugee situation is due primarily to French tactics and that the responsibility therefor rests entirely upon the French. The Department and Red Cross are fully justified in so deciding and I withdraw my recommendation. New York headquarters, Near East Relief, seem to be contemplating extension relief and I therefore suggest that they be informed of the Department's views of the matter.

KNABENSHUE

890d.00/234a : Telegram

The Secretary of State to the Ambassador in France (Herrick)

WASHINGTON, October 30, 1925—6 p. m.

403. Following for your information and for repetition to American Consul, Beirut, as Department's October 30, 6 p. m.

“For your information and for Keeley.

Associated Press today reports as follows from Paris: ‘American official reports presented to the French Foreign Office by the American Embassy on instructions from Washington have given the French Government more information about the actions in Syria of General Sarrail, the French High Commissioner, than Paris has received from General Sarrail himself.’ In this connection see last paragraph Department’s October 24, 6 p. m.¹⁰

Department considers that the full reports transmitted by you and Keeley have been of material assistance in bringing the French Government to a realization of their responsibility for the protection of lives and property of Americans and other foreigners.

Keeley may in his discretion repeat to Paris any future telegrams which you feel might be of assistance to the Embassy in the event that the Department should consider further representations to the French Government necessary. If telegram sent Paris, so indicate in telegraphing Department.”

KELLOGG

890d.00/230 : Telegram

The Secretary of State to the Consul at Beirut (Knabenshue)

WASHINGTON, October 30, 1925—7 p. m.

(1) Department’s October 27, 6 p. m. If at any time you consider immediate presence of destroyers at Beirut desirable, you are authorized to communicate your request directly or through American Consul Alexandria in the event that there is not time to communicate first with Department. Destroyers at Alexandria have been authorized by Navy Department to proceed at your request. Advise Department if such action taken.

(2) Department assumes that you will keep Keeley fully advised of all communications received from Department relating to present situation, such for example as Department’s October 24, 6 p. m.¹⁰ and Department’s October 29, 2 p. m.

(3) You may make available to Keeley any part of Red Cross donation of \$2,000 which may be needed for relief of Americans in Damascus district.

(4) Detailed reports from you and Keeley have proved most helpful and prompt action taken by you and Keeley for protection of American lives and property and in impressing upon French authorities their responsibility for protection of American citizens is fully approved.

Your October 28, 4 p. m. and October 29, 12 p. m. received.

KELLOGG

¹⁰ Not printed.

890d.01/225 : Telegram

The Ambassador in France (Herrick) to the Secretary of State

PARIS, October 31, 1925—1 p. m.

[Received October 31—9:55 a. m.]

532. My 530, October 30, 3 p. m.¹² Sarraïl has been officially recalled and General Duport will take over temporarily pending appointment of civilian commissioner.

HERRICK

890d.00/238 : Telegram

The Consul at Beirut (Knabenshue) to the Secretary of State

BEIRUT, November 3, 1925—4 p. m.

[Received November 3—4 p. m.]

Keeley reports by telephone that a large force is concentrating outside Damascus threatening to attack the French and that the attack is momentarily expected. Information from other sources is to the effect that it is a combined force of Druses and revolutionists of Damascus area numbering 8,000. It is reported that railroad between Rayak and Homs has been cut. Rumors which may or may not be well-founded are to effect that a general uprising including Beirut of Moslems against French is imminent being encouraged it is believed by the recall of Sarraïl and attitude of the foreign papers against French action here.

In consultation today with the American representatives of the various American interests here forming a committee of eight we decided that immediate presence American destroyers here is highly desirable not only for the moral effect of their presence in possibly preventing an uprising but to provide effective means of protection in case uprising occurs. I have consequently requested destroyers to arrive here on the morning of November 5th.

KNABENSHUE

890d.00/239 : Telegram

The Consul at Beirut (Knabenshue) to the Secretary of State

BEIRUT, November 3, 1925—5 p. m.

[Received November 3—4:45 p. m.]

Also sent to Embassy at Paris. Official communiqué announces that General Sarraïl under instructions his Government will leave for Paris to make verbal explanations.

¹² Not printed.

Having worked in close friendly personal and official cooperation with Gouraud, Weygand, De Caix and Dereffye, I offer, as an impartial but friendly observer, my unbiased opinion that, as a result of the incidents which occurred during the current year culminating in the Damascus affair, France's position in Syria and the Lebanon is in many ways more difficult today than it has been since 1919 and that her prestige here is at its lowest ebb. It is the general consensus of opinion among all classes of people that because of the high respect and confidence in which they hold Weygand he is the one Frenchman who might reestablish France's position here at less cost and effort than could be accomplished by a stranger to the people, be he ever so able. It has been the general belief that if Weygand were to replace Sarrail and be authorized to demand no indemnity and to grant amnesty to all political offenders, which under the circumstances seemed to be the only just policy to pursue, the gravest problems would have been overcome almost instantaneously. However latest indications are that the situation may soon be too far out of hand for a solution of the difficulty by the policy outlined, even by Weygand. The chaos existing here at present has caused an economic crisis which has materially affected our growing and already important trade with this country and the reestablishment of responsible government and public security is essential to our commercial interests here. [Paraphrase.] I may add that when Weygand was High Commissioner he was distinctly friendly to the United States and to American interests here. [End paraphrase.]

KNABENSHUE

890d.00/243 : Telegram

The Consul at Beirut (Knabenshue) to the Secretary of State

BEIRUT, November 4, 1925—3 p. m.

[Received 3:40 p. m.]

Following from Keeley:

"November 3, 11 p. m. Despite official French communiqué to the effect that, except southeast of Damascus where a small band has been dispersed by French cavalry, complete calm reigns in all other parts of Syria, I consider that the situation generally in this district becomes more serious daily. Rebel forces reliably estimated at 3,000 reported to be advancing on Damascus. Bombs dropping from aeroplanes plainly visible from the consulate roof and gunfire distinctly heard for some time during battle this afternoon between the rebels and a French detachment about 5 miles east of Damascus. French forces insufficient to subdue rebels, who easily elude small detachment sent after them. French are destroying all villages the inhabitants

of which do not themselves drive off bandits, which tactics steadily increase number of the enemy. . . .

It is reported reliably that all territory in this district except principal town on the railroad now in hands of the rebels. It is impossible to communicate with naturalized American citizens residing in troubled areas and I fear that some of them may be in danger and in distress.

Inhabitants of Damascus panic stricken, thousands trying to leave daily, food becoming scarce, cost of living rising, business dead."

Reports from reasonably reliable sources indicate that a Druse force of 4,000 to 6,000 has reached a point about 35 kilometers from Damascus. Keeley has just telephoned that the railroad between Damascus and Deraa is reported to be cut. Above telegram sent also to Paris.

KNABENSHUE

890d.00/243 : Telegram

The Secretary of State to the Consul at Beirut (Knabenshue)

[Paraphrase]

WASHINGTON, November 7, 1925—1 p. m.

Your telegram of November 4, 3 p. m. Please transmit following paragraph to Keeley:

"Department naturally wishes you to remain at your post if you have a real opportunity to afford consular protection to American nationals. The Department would not desire you to remain, however, if, as the situation develops, no useful purpose could be served by your presence other than political and reporting work and if by staying you would be needlessly exposed to danger."

Department desires that you, as supervising consular officer for Syria, consult with Keeley regarding the propriety of his staying at Damascus. Keeley may close the consulate at Damascus and join you at Beirut if you both think it best.

If a critical situation should develop at Aleppo the same considerations would apply to Consul Altaffer there.

KELLOGG

890d.00/246 : Telegram

The Consul at Beirut (Knabenshue) to the Secretary of State

BEIRUT, November 7, 1925—2 p. m.

[Received 3:47 p. m.]

My telegram of November 3, 4 p. m. Destroyers arrived morning of November 5th. Courtesy visits exchanged Captain Fairfield with

High Commissioner, Governor of the Lebanon, and French Admiral and the presence of destroyers has assumed outward character of ordinary visit. Arrival has occasioned no excitement or incidents. Information all sources indicates that reaction in connection therewith is one of marked relief and sense of security felt by all denominations and classes of people including foreigners. It is general consensus of opinion that no uprising will occur Beirut while American destroyers are in the harbor unless French meet with serious reverses in the interior which contingency is not entirely improbable. At the present moment there are practically no combatant French troops in Beirut and their only means of suppressing uprising here is by bombardment with artillery already in place for the purpose. French expect 10,000 reinforcements during the course of the next 2 weeks.

Well-founded reports indicate organization native government with Sultan Attrash at the head, Shahbender, Minister of Foreign Affairs, Yahya Hayati, Minister of War, and that the various rebel bands in conjunction with the Druses and Arab tribes organizing for concerted action against French. Developments during the next two or three weeks will possibly give clearer indication of the future.

. . . I recommend that destroyers remain until we on the ground are convinced that adequate measures have been taken for the protection of American citizens and their property without recourse to means [*sic*]. In this connection I have asked military attaché at Constantinople to come to Beirut in advisory capacity.

I respectfully suggest following as proper policy: France by the terms of the treaty is as responsible to the United States as to the League of Nations in the matter of protection of American citizens and property and our independent action up to date and as recommended is justifiable under the circumstances in a country under mandate.

This telegram sent American Embassy Paris also.

KNABENSHUE

890d.01/226 : Telegram

The Ambassador in France (Herrick) to the Secretary of State

PARIS, November 9, 1925—noon.

[Received November 9—8:53 a. m.]

554. Senator Henry de Jouvenel, the editor of *Le Matin*, has been appointed High Commissioner in Syria and will leave this week for his post.

HERRICK

890d.00/252 : Telegram

The Ambassador in France (Herrick) to the Secretary of State

[Paraphrase]

PARIS, November 13, 1925—noon.

[Received 2:10 p. m.]

561. I have reason to think that French Government would very much like to have our destroyers leave Beirut. The presence of these destroyers has served as a pretext for Italy to send ships and the French suspect that the Italians have political reasons for doing this. Furthermore, the departure of the destroyers would almost coincide with the arrival in Syria of the new French High Commissioner and would strengthen his hand by showing the confidence of the American Government in an improvement of conditions. The presence of the destroyers at Beirut does not seem to be urgently needed, and therefore I suggest that they be sent to some port near at hand, perhaps in Palestine or Cyprus, where they could remain until the situation clears.

HERRICK

890d.00/253 : Telegram

The Consul at Beirut (Knabenshue) to the Secretary of State

BEIRUT, November 13, 1925—4 p. m.

[Received 5:05 p. m.]

Following from Keeley:

[“November 11, 10 p. m. Referring to Department’s telegram of November 7, 1 p. m. to Beirut. The revolutionary movement being anti-French rather than antiforeign, Americans in Damascus at present have little to fear from the rebels except in being mistaken for Frenchmen, although the policy of the French in fortifying themselves inside the city instead of defending it from the outside exposes those around them to danger of being between two fires in the event of another rebel attack against the French in Damascus, an eventuality which is still entirely improbable [*sic*].

Naturalized American citizens of Syrian origin in interior villages are exposed to the same danger as natives, namely: (1) being pillaged or killed by bandits for noncooperation, (2) being killed or rendered homeless by the French in wholesale reprisals against villages for failure to combat bandits, and (3) being victims of any of numerous misfortunes that accompany a state of guerrilla warfare or revolution. The French delegate admitted in a conversation this evening his inability to protect Americans in the disaffected regions or to guarantee them safe conduct to Damascus. With the expectation of reenforcements he hoped to reestablish order in the disaffected regions within the next 15 days. I consider that Americans in the interior will be in the greatest danger during the period of French attempt to restore order. While being sincerely appreciative of the Department’s solicitous provision for my personal safety I prefer to

remain in my district regardless of developments unless a serious exigency should arise or unless as a result of improbable future developments the Department might for reasons of policy instruct me to leave."

It is rumored that a serious attack will be made upon Damascus on 15th or 16th. I have instructed Keeley to come to Beirut immediately for further consultation and bring his family, which at least I will insist must remain here. Also sent to Paris.

KNABENSHUE

890d.00/254 : Telegram

The Consul at Beirut (Knabenshue) to the Secretary of State

BEIRUT, November 13, 1925—6 p. m.

[Received November 13—4:45 p. m.]

Druse force of about 1,000, and since then doubled, occupied Hasbaya without resistance small garrison which is first serious movement menacing Lebanon. From two to three thousand refugees Merjayoun district including several families naturalized American citizens have arrived Sidon and Beirut. I visited Sidon yesterday to investigate situation and organize measures for Americans, missionaries and the others there.

Shahbender is reported to have arrived at Mecca to bring about reconciliation Ibn Saud and King Ali in their local differences and persuade them to take part in the league movement involving North Africa and Near East and support for Syrian revolutionists. If he is successful the Metoualis, Alaregtes [*Alaouites*] and Rouallas and other Bedouin tribes will undoubtedly join the revolutionists. In this event situation in Syria will become most serious. On the other hand if present movement is not joined by the above-mentioned elements, the French with present forces and reinforcements now arriving may possibly get situation partially in hand with offensive scheduled for the latter part of this month but I am not optimistic in this respect. Also sent to Paris.

KNABENSHUE

890d.00/252 : Telegram

The Secretary of State to the Consul at Beirut (Knabenshue)

[Paraphrase]

WASHINGTON, November 14, 1925—8 p. m.

(1) The following telegram has been received from Paris:

[Here follows text of telegram No. 561, November 13, noon.]

(2) Your telegrams of November 13, 4 p. m. and 6 p. m. indicate that there may be serious disorders in the Lebanon. Do you think

that these disorders might be encouraged by the departure of our destroyers and that thereby the lives of naturalized Americans in Syria would be placed in greater danger? The Department understands that most of these citizens are living in Lebanon villages.

(3) The Department believes that the exigencies of the situation in Syria must primarily determine our action in this matter. We would not consider recommending that the destroyers leave at present unless you should report that their departure would not affect adversely the situation of American nationals.

(4) Should you approve of the departure of the destroyers at this time, confer with the officer in command and submit recommendations as to where they should be sent.

KELLOGG

890d.00/256 : Telegram

The Consul at Beirut (Knabenshue) to the Secretary of State

BEIRUT, November 15, 1925—1 p. m.

[Received November 14—9:20 p. m.]

Reference telegram from Embassy at Paris to the Department, number 561, November 13, noon. Situation rapidly growing more serious generally and in Lebanon in particular. Need for destroyers even more necessary now [than] heretofore. Please postpone action on Embassy's telegram until receipt of details in telegrams following out a few hours later.

KNABENSHUE

890d.00/257 : Telegram

The Consul at Beirut (Knabenshue) to the Secretary of State

BEIRUT, November 15, 1925—11 p. m.

[Received November 16—3:20 a. m.]

Department's telegram of November 14, 8 a. m. [*p. m.*] As a result of Druse advance into Lebanon, French are arming native Christians and inciting them to assist in repelling invaders. This act it is generally believed will probably bring about a religious war, chiefly between the Druse[s] and Marmorites [*Maronites*] in the Lebanon, and may result in other religious factions entering strife. Destroyers must remain until situation clears. Fuller details tomorrow.

Also sent to Embassy at Paris.

KNABENSHUE

890d.00/259 : Telegram

The Consul at Beirut (Knabenshue) to the Secretary of State

[Paraphrase]

BEIRUT, *November 16, 1925—7 p. m.*

[Received November 17—1:41 a. m.]

Reference Paris Embassy's telegram to Department November 13, noon.

1. The Italian consul has repeatedly told me during the past 3 years that his Government had given him instructions to follow the policy here of the United States. At his request Italian ships were sent to Rhodes for purpose of protection. I am convinced they were not sent for political reasons.

2. Colonel Foy, our military attaché at Constantinople, is due here on November 18. I repeat recommendation made in my telegram of November 7, 1 [2] p. m. When Colonel Foy arrives there will be a conference between him, Captain Fairfield, and Keeley, who temporarily is at Beirut.

3. It would embarrass the French more to have the destroyers depart and return later than it would to have them remain here. Having the destroyers here gives a feeling of security to Americans, foreigners, and the natives . . . The continued presence of the destroyers is justified for that reason alone. On the other hand, people would become panicky should our destroyers be withdrawn now, and such action would be generally condemned.

4. The arming of Christians throughout the Lebanon by the French has incensed the Moslems and Druses who are thus placed in potential danger. Thus a most critical situation has been created which may result in general religious warfare, especially throughout the Lebanon. . . . Moslem and Druse leaders have taken the initiative in arranging meetings with Christian leaders to keep the situation in control and prevent a religious war but their efforts may be rendered fruitless by the action of the French in arming the Christians. Claims and counterclaims are made, but I am convinced that the revolutionists have been, and are still, making every effort not to molest Christians and that the Christians are molested only when they oppose the advance of the revolutionists. Word has been sent to me by leading Moslems and Druses asking that the United States intervene to persuade the French to stop giving arms to Christians.

5. Although the French announce reenforcements they have practically no troops for defense in the Lebanon at present.

6. The Druses defeated a small French force yesterday and captured Mardayoim [*Merjayoun*].

7. . . .

8. Department's attitude as given in its telegram of November 14, 8 p. m. is much appreciated. This telegram sent to Embassy at Paris and to Department.

KNABENSHUE

890d.00/259 : Telegram

The Secretary of State to the Consul at Beirut (Knabenshue)

[Paraphrase]

WASHINGTON, November 17, 1925—7 p. m.

Department has no intention at present of withdrawing destroyers in view of situation set forth in your telegram of November 16, 7 p. m.

KELLOGG

890d.00/267 : Telegram

The Consul at Beirut (Knabenshue) to the Secretary of State

[Paraphrase]

BEIRUT, November 23, 1925—6 p. m.

[Received November 23—5:45 p. m.]

I respectfully request that I be given discretionary authority to dispense with destroyers when Colonel Foy, Captain Fairfield, and I decide that we may do so without danger. We hope that this can be done not later than about December 1, when the new French High Commissioner is due to arrive.

This telegram sent to Embassy at Paris and to Department.

KNABENSHUE

890d.00/267 : Telegram

The Secretary of State to the Consul at Beirut (Knabenshue)

[Paraphrase]

WASHINGTON, November 24, 1925—8 p. m.

Your telegram November 23, 6 p. m. The Department realizes that it may be desirable to arrange to have destroyers withdrawn before the new French High Commissioner arrives or at the time of his arrival. The Department, however, before authorizing such action desires to have you give a more detailed report indicating that you believe present conditions are such as fully to justify the departure of the destroyers.

Alarmist reports still appear in the newspapers regarding the military situation in Syria. It might, therefore, result in misunderstanding in this country should the destroyers be withdrawn. The De-

partment does not desire to give discretionary authority until the reports from you as to the adequacy of measures taken by the French to protect American lives and property are more reassuring.

KELLOGG

890d.00/288 : Telegram

The Consul at Beirut (Knabenshue) to the Secretary of State

BEIRUT, November 28, 1925—5 p. m.

[Received November 28—3 p. m.]

With reference to the Department's telegram November 24th, 8 p. m. From a technical point of view it was believed that the military operations taking place when my telegram of November 23, 6 p. m. was sent would result in a defeat of the Druses who had entered Southern Lebanon and their withdrawal into the interior and that henceforth all operations would be confined to the interior and that the coastal region would remain safe from attack. However the 4,000 French troops sent against the Druses at Rashaya succeeded only in relieving the garrison in the nick of time. The Druses numbering several thousand are now in occupation of Hasbaya and it is reported are awaiting large reinforcements from the Djebel Druse for an offensive in the Lebanon. In the meantime French troops withdrawn from Homs for the relief of Rashaya weakened the position there, the railway south of Homs was cut and fearing the seizure of the town by the rebels half the population have left upon the advice of the French authorities. Altaffer reports:

"November 26, 12 noon, railroad cut south of Homs, two battalions of troops have been sent from Aleppo. Situation here quiet but Christian population is apprehensive in view of military forces leaving district. Have you any suggestions to make in case it becomes necessary to advise the 43 resident Americans to leave city? Best exit appears to be via Alexandretta. The Government cannot be depended on to afford protection to foreigners."

While some seven or eight thousand reinforcements have been received during the past 2 weeks it is believed that at least 20,000 additional troops are required.

Colonel Foy and Captain Fairfield believe that the disturbances will be confined indefinitely to the interior and that therefore destroyers are no longer required here. Inasmuch as there are in my opinion so many potential possibilities for more widespread disturbances I must recommend continued presence of destroyers until the situation becomes more clarified. Also sent to Embassy at Paris.

KNABENSHUE

890d.00/297 : Telegram

The Consul at Beirut (Knabenshue) to the Secretary of State

[Paraphrase]

BEIRUT, December 4, 1925—9 p. m.

[Received December 4—8:35 p. m.]

The new French High Commissioner, Jouvenel, arrived day before yesterday and today he waited upon the Legislative Assembly of the Greater Lebanon. It is his policy to offer peace to those who are peaceful but a fight to the finish to those who want war.

Jouvenel grants to the Legislative Assembly the right to draw up an organic law for the Greater Lebanon. He intimates that if the interior regions lay down their arms he will extend the same right to them.

Lebanese aspirations should be satisfied by Jouvenel's declaration. This together with the fact that the menace of Druse invasion of the Lebanon has been relieved by the arrival of reenforcements during the past 3 weeks should assure public safety in the coast regions and make it unnecessary to keep destroyers here to protect Americans in this region.

Very likely there will be no cessation of guerrilla warfare in the interior [but it is not probable?] that the coast will be disturbed. I recommend, therefore, that the destroyers be withdrawn at once so as to strengthen further the position of the new High Commissioner and help me in my relations with him. Sent to Paris Embassy and to the Department.

KNABENSHUE

890d.00/297 : Telegram

The Secretary of State to the Consul at Beirut (Knabenshue)

[Paraphrase]

WASHINGTON, December 5, 1925—4 p. m.

On basis of your recommendation the Department has arranged to have the Navy Department withdraw the destroyers at once. The understanding is that they will go to Alexandria. They are to stay there until December 15 so that the Department may judge the effect of their departure before they proceed to the western Mediterranean to join the *Pittsburgh*.

Telegraph recommendations should you feel that it is important to have the destroyers stay for a longer time near Beirut.¹³

¹³ On the recommendation of the consul at Beirut, the two destroyers were retained within a short cruising distance from Beirut. On December 28, the Navy Department was informed that the consul had reported on December 26 that there was no reason for keeping the destroyers longer in the vicinity of Beirut.

Separate instructions are being sent by Navy Department to captain of the destroyers.

KELLOGG

PLACING OF AMERICAN RESIDENTS OF FRANCE ON AN EQUALITY WITH FRENCH CITIZENS WITH RESPECT TO INCOME TAX EXEMPTIONS

851.512/48

The Chargé in France (Whitehouse) to the Secretary of State

No. 4502

PARIS, *October 17, 1924.*

[Received October 25.]

SIR: I have the honor to invite the attention of the Department to the fact that Article 44 of the French law of March 22, 1924, states that the reductions in taxes given on account of the size of the family will only be accorded to the citizens of those countries which possess treaties of reciprocity with France. A copy and translation of the article in question are enclosed herewith.¹⁴

The only clause that I have been able to find in the conventional [*conventional?*] relations between the United States and France which might have a bearing on this question is Article XI of the Convention of Peace, Commerce and Navigation of 1800,¹⁵ which states that American citizens shall pay in French territory no other or greater duties or imposts than those which the nations most favored are or shall be obliged to pay.

As the Embassy has already been asked to define the rights of American citizens under the 1924 law, I should appreciate the Department's instructions in this regard.

I have [etc.]

SHELDON WHITEHOUSE

851.512/48

The Secretary of State to the Chargé in France (Whitehouse)

No. 1190

WASHINGTON, *November 10, 1924.*

SIR: The Department has received your despatch No. 4502 of October 17, 1924, inviting attention to Article 44 of the French Law of March 22, 1924, which states that the reductions in taxes and other charges provided for the benefit of large families will only be granted to aliens who are citizens of countries which possess treaties of reciprocity with France. You state that the only provision that you have been able to find in the treaty relations between the United States and

¹⁴ Not printed.

¹⁵ Miller, *Treaties*, vol. 2, p. 457.

France which might have a bearing on this question is Article XI of the Convention of Peace, Commerce and Navigation of 1800. You request the Department's instructions in the matter.

The Treaty of 1800 with France is no longer in force, having expired by its own limitations on July 31, 1809. (Malloy *Treaties*, Volume I, page 496.) There appears to be no treaty provision in force between the two countries at the present time bearing on the matter under consideration.

Attention may, however, be invited to the fact that under the Revenue Act of 1924,¹⁶ aliens resident in the United States are assessed income taxes at the same rate as American citizens. The Act furthermore allows credits in the payment of income taxes to married persons and the heads of families, and for minor children and other dependents. These credits are allowed resident aliens as well as American citizens.

Section 210 (a) of the Revenue Act of 1924, provides that

[" . . . ¹⁷ there shall be levied, collected, and paid for each taxable year upon the net income of every individual . . . ¹⁷ a normal tax of 6 per centum of the amount of the net income in excess of the credits provided in section 216, except that in the case of a citizen or resident of the United States the rate upon the first \$4,000 of such excess amount shall be 2 per centum, and upon the next \$4,000 of such excess amount shall be 4 per centum;"]

Section 216 of the Act provides in part as follows:

"For the purpose of the normal tax only there shall be allowed the following credits: ¹⁸

"(c) In the case of a single person, a personal exemption of \$1,000; or in the case of the head of a family or a married person living with husband or wife, a personal exemption of \$2,500. A husband and wife living together shall receive but one personal exemption. The amount of such personal exemption shall be \$2,500. If such husband and wife make separate returns, the personal exemption may be taken by either or divided between them.

"(d) \$400 for each person (other than husband or wife) dependent upon and receiving his chief support from the taxpayer if such dependent person is under eighteen years of age or is incapable of self-support because mentally or physically defective.

"(e) In the case of a nonresident alien individual . . . ¹⁷ the personal exemption shall be only \$1,000. The credit provided in subdivision (d) shall not be allowed in the case of a nonresident alien individual unless he is a resident of a contiguous country, . . . ¹⁷ "

¹⁶ 43 Stat. 253.

¹⁷ Omission indicated in the original instruction.

¹⁸ The following omission indicated in the original instruction.

It will be observed that under these provisions of the Revenue Act of 1924, a citizen of the United States or an alien residing in the United States who is the head of a family or a married person living with husband or wife, is granted a personal exemption of \$2,500 in addition to an exemption of \$400 for each person other than husband or wife dependent upon and receiving his chief support from the taxpayer, if such dependent person is under eighteen years of age or is incapable of self-support because mentally or physically defective. You will accordingly express the hope that American citizens residing in France will be assessed income taxes at the same rate as citizens of France, and that those who are married or are the heads of families or who have minor children or other dependents will be allowed the same credits in the payment of French income taxes as are allowed French citizens under similar circumstances.

You will submit a report to the Department regarding the matter. I am [etc.]

For the Secretary of State:

JOSEPH C. GREW

851.5123/23

The Ambassador in France (Herrick) to the Secretary of State

No. 4737

PARIS, January 7, 1925.

[Received January 20.]

SIR: With reference to the Department's instruction No. 1190 of November 10th last, which directed me to express to the French Government the hope that American citizens residing in France would be assessed income taxes at the same rate as citizens of France, and that those who are married or are the heads of families or who have minor children or other dependents would be allowed the same credits in the payment of French income taxes as are allowed French citizens under similar circumstances, I have the honor to report that I have received a note from the Foreign Office, dated December 30th, to the effect that the above-mentioned request cannot be granted, as, in the absence of conventional agreements, citizens of one country living in the other must submit to the laws relative to their position. I am enclosing a copy and translation of the note in question.¹⁹

Since, under the respective laws in force, French citizens living in the United States enjoy more favorable treatment than American citizens living in France, I should be glad to be instructed whether the

¹⁹ Not printed.

Department does not desire me to take up this matter further and whether the intimation in the French note, that a convention on this subject might be made, should be followed up.

I have [etc.]

MYRON T. HERRICK

851.5123/25 : Telegram

The Ambassador in France (Herrick) to the Secretary of State

PARIS, May 26, 1925—noon.

[Received May 26—8:36 a. m.]

293. Embassy in receipt of various complaints from American citizens because in certain instances they have to pay higher income taxes than French citizens (see last paragraph my despatch number 4737 of January 7 last). Request instructions.

HERRICK

851.5123/25

The Secretary of State to the Ambassador in France (Herrick)

No. 1535

WASHINGTON, June 6, 1925.

SIR: The Department has received your telegram No. 293 of May 26, in which you state that the Embassy is in receipt of complaints from American citizens because, in certain instances, they have to pay higher income taxes than French citizens, and request the Department's instructions in the matter. You refer in this relation to the last paragraph of your despatch No. 4737 of January 7, last, in which you ask whether the Department desires you to follow up the intimation made by the French Foreign Office that a convention on this subject might be entered into by the two Governments.

In the absence of applicable treaty provisions it is not believed that this Government can demand as a matter of right that the French Government accord to American citizens in France as favorable treatment in matters of taxation as it accords its own citizens. You will, however, inform the Department of the difference between the taxes assessed against American citizens and against French citizens and advise it whether American citizens are being given less favorable treatment than is accorded the nationals of any other foreign country.

The Department does not consider it advisable at this time to take up the matter of the negotiation of a treaty on this subject.

I am [etc.]

FRANK B. KELLOGG

851.5123/27

The Ambassador in France (Herrick) to the Secretary of State

No. 5318

PARIS, June 22, 1925.

[Received July 7.]

SIR: With reference to the Department's instruction No. 1535 of June 6, 1925 (File No. 851.5123/25), I have the honor to report that the deductions allowed by the French law to French citizens and to citizens of other countries having a treaty of reciprocity with France are given in Articles 42 and 43 of the law of March 22, 1924, a translation of which reads as follows:

"Art. 42.—The 4th paragraph of Article 6 of the law of March 30, 1923, is replaced by the following text:

'The above deductions shall be increased as regards each taxpayer subject to the tax by a sum of 3,000 fr. for his wife if the latter has neither salary nor personal income, by 3,000 fr. for each child of less than eighteen years or who is infirm and without a salary, and by 2,000 fr. per person dependent upon him under the same conditions as those of Article 7 of the law of June 25, 1920.'

"Art. 43.—The 4th paragraph of Article 7 of the law of June 25, 1920, is replaced by the following text:

'However, for each child under twenty-one years of age remaining dependent upon its parents and for each person beyond the fifth, whatever his age, the deduction shall be raised to 3,000 fr.'"

American citizens do not receive less favorable treatment than is accorded to nationals of any other country, with the exception of those countries which have treaties of reciprocity with France.

I am enclosing a single copy of the law of March 22, 1924.²¹

I have [etc.]

For the Ambassador:

SHELDON WHITEHOUSE

Counselor of Embassy

851.5123/33

The Ambassador in France (Herrick) to the Secretary of State

No. 5778

PARIS, November 30, 1925.

[Received December 11.]

SIR: With reference to my despatch No. 5318 of June 22nd last, and to previous correspondence with regard to the desire of the Department that the French Government should grant reciprocal income tax exemptions to American citizens living in France, I take pleasure in reporting that I have been able to secure a satisfactory settlement of this question.

²¹ Not printed.

While the Department stated in its instruction No. 1190 of November 10, 1924, that "there appears to be no treaty provision in force between the two countries at the present time bearing on the matter under consideration," and while the Foreign Office, in a note enclosed with my despatch No. 4737 of January 7th last, refused to grant reciprocal exemptions on the ground that no convention existed regulating this question, I deemed it worth while to point out to the Foreign Office that a broad construction of the Consular Convention between France and the United States of 1853²² might be held to cover the point at issue. I pointed out, furthermore, in a personal interview, that, since French citizens in the United States receive the same exemptions as regards family charges, etc., that American citizens receive under our income tax law, reciprocity would, in fact, exist if the construction I desired were given the above-mentioned Consular Convention. I urged that this construction be adopted in order to put an end to the many American complaints regarding a lack of fairness in this matter and because of the good effect that such equitable action would have on American opinion.

I have to-day received a note, a copy and translation of which I am enclosing herewith, to the effect that, as a result of Article VII of the Consular Convention of 1853, American citizens in France and French citizens in the United States are assimilated to nationals of the country in which they live as regards the payment of or exemptions from taxes.

I am also enclosing a copy of my note to the Foreign Office²³ to which the foregoing note was the reply.

I have [etc.]

MYRON T. HERRICK

[Enclosure—Translation]

The French Ministry of Foreign Affairs to the American Embassy

The Ministry for Foreign Affairs has the honor to inform the Embassy of the United States, in reply to its note of November 12th, that from Article 7 of the Franco-American Consular Convention of February 23, 1853, it results in fact that American citizens in France and French citizens in the United States are assimilated to nationals as regards the payment of or exemptions from taxes.

The Minister of Finance will give all appropriate instructions in this connection.

PARIS, *November 24, 1925.*

²² Malloy, *Treaties, 1776-1909*, vol. I, p. 528.

²³ Not printed.

GERMANY

AGREEMENT REGULATING THE DISTRIBUTION OF THE DAWES REPARATION ANNUITIES, CONCLUDED AT THE CONFERENCE OF MINISTERS OF FINANCE, PARIS, JANUARY 14, 1925¹

462.00 R 296/810 : Telegram

The Ambassador in France (Herrick) to the Secretary of State

PARIS, *January 2, 1925—7 p. m.*

[Received 11:07 p. m.]

5. Just received note dated January 2d from Foreign Office, translation of which reads as follows:

“The Minister for Foreign Affairs informs the American Embassy that on account of reasons of material organization the first meeting of the Conference of Ministers of Finance will take place on Wednesday, January 7th, instead of the 6th.

The Ministry for Foreign Affairs adds, in conformity with the unofficial arrangement agreed upon between the Allied experts in London, [that] the Conference will have the following work:

1. To arrange the repartition of the payments received from Germany since January 1st, 1923, and also under the reserve of the inter-Allied arrangements that have already been agreed to the repartition of German payments from the date upon which the Agent General for [Reparation] Payments entered upon his duties and during the first year of the execution of the Dawes Plan.

2. To make the adjustments provided for in article I, paragraph[s] 3 to 5 of the arrangement [*agreement*] of the Ministers of Finance of March 11, 1922,² and to fully explain a forfeitable sum to cover all the expenses of the Armies of Occupation for the next year.

3. To examine all other questions of repartition pending between the Allied Governments.”

Logan³ informed. Repeated to London.

HERRICK

¹ For previous correspondence concerning German reparations, see *Foreign Relations, 1924*, vol. II, pp. 1 ff., and pp. 135 ff.

² *British and Foreign State Papers, 1922*, vol. CXVI, p. 612.

³ James A. Logan, Jr., American unofficial representative on the Reparation Commission.

462.00 R 296/810 : Telegram

The Secretary of State to the Ambassador in France (Herrick)

WASHINGTON, *January 3, 1924* [1925]—8 p. m.

10. Your 5, January 2, 7 p. m., and L-299, January 3, noon.⁴
Please reply as follows to French note:

The Government of the United States has received the note of the French Minister for Foreign Affairs, dated January 2, 1925, relative to the forthcoming meeting of Finance Ministers and sees no objection to the proposed postponement of the first meeting from Tuesday January 6th to Wednesday January 7th, 1925.

The Government of the United States will be represented at that meeting for the purpose of negotiating the necessary arrangements for its participation on account of army costs and other claims of the United States in the annuities to be paid by Germany under the terms of the Dawes plan.⁵

HUGHES

462.00 R 296/832 : Telegram

The Ambassador in France (Herrick) to the Secretary of State

PARIS, *January 7, 1925*—7 p. m.

[Received 11:07 p. m.⁶]

19. L-302 [from Logan].

1. Conference convened 3 p. m. today and was confined to formalities with emphasis on strict limitation scope of deliberation to terms of reference decided in London. It therefore follows no discussion whatsoever inter-Allied debt. Cable full report tomorrow.

2. Reference paragraph 2 my L-297 and Department's L-184.⁷ Churchill⁸ asked me meet him British Embassy immediately after Conference which I did in agreement with Herrick and Kellogg. Churchill expressed desire to reach settlement with us and willing to accept my memorandum to Leith-Ross dated January 3d⁹ as basis of settlement except that he reserved my figures of 65 million on account of Army costs and 60 million on account of our other claims for discussion and adjustment between Niemeyer¹⁰ and myself. Stated specifically that his agreement to our participation on the

⁴ Latter not printed.

⁵ By telegram No. 5, Jan. 3, noon, the Ambassador had been instructed to inform the French Government that he, with Mr. Kellogg and Mr. Logan, would represent the United States at the Conference of Finance Ministers (file No. 462.00 R 296/811).

⁶ Telegram in two sections.

⁷ Neither printed.

⁸ Winston Churchill, Chancellor of the Exchequer and head of the British delegation at the Conference.

⁹ *Foreign Relations*, 1924, vol. II, p. 132.

¹⁰ Sir Otto Ernst Niemeyer, member of the British delegation at the Conference.

basis of the Leith-Ross memorandum was to be considered as "all inclusive" of all our various claims and that if Niemeyer and myself could agree on figures he would not raise question regarding our position on enemy shipping, pre-war debts, pre-war damages, etc. Churchill stated this agreement his part subject confirmation by British Cabinet. I said any agreement effected by me subject Department's approval. Churchill intimated that Cabinet would support him.

Niemeyer and myself meet tonight for the purpose of discussing and if possible reaching agreement on figures.

Anticipate no special difficulties, as Churchill, in Niemeyer's and my presence, stated that British willing to accept figures for our participation covering both our Army costs and our other claims provided actual annual burden was not in excess of the annual burden incumbent upon the Allies under the Wadsworth Agreement.¹¹ At the conclusion of our conversation, Churchill with my concurrence issued following statement to press:

"Mr. Logan, one of American representatives at the Conference, and Mr. Churchill, Chancellor of the Exchequer, had a friendly personal talk after the plenary session of the Conference on the particular point outstanding between Great Britain and the United States.

While no decision could be reached on actual details, there was a general agreement that the matter should be further explored with good hopes of reaching a solution equitable to Great Britain, the United States and all the other parties concerned. The prospects of an early settlement must therefore be considered favorable.

If an agreement should be reached the general work of the conference would be facilitated and expedited."

Logan
HERRICK

462.00 R 296/834 : Telegram

The Ambassador in France (Herrick) to the Secretary of State

[Paraphrase]

PARIS, January 9, 1925—noon.

[Received January 9—8:40 a. m.]¹²

21. L-304 from Logan. Churchill disclosed in conversation last night that he is willing to recommend a settlement on the basis of 55,000,000 gold marks cash priority per annum to commence September 1, 1926, on our Army costs account, plus 2 percent, or approximately 40,000,000 marks minimum in normal year, participation in

¹¹ Army Costs Agreement of May 25, 1923; *Foreign Relations*, 1923, vol. II, p. 180.

¹² The first paragraph of this telegram has been paraphrased from a corrected copy received Jan. 9, 1:10 p. m., as telegram No. L-305 (file No. 462.00 R 296/837).

"reparations account". This offer privately made was in nature of compromise. The formal British offer remains 50,000,000 cash priority plus 2 percent on claims. He declined to go any further on a compromise but agreed to submit any proposals to Cabinet.

I made the following alternative proposals, all, of course, subject to the Department's approval: (1) 55,000,000 gold marks cash priority, and 2¼ percent on "reparations", that is, 45,000,000 in normal year; (2) 60,000,000 cash priority, and 2 percent, or 40,000,000 gold marks; and (3) 50,000,000 cash priority and 2½ percent, or 50,000,000 on "reparations". That is to say, I stood on the basis of 100,000,000 in a normal year, with, however, Army costs starting September 1, 1926, and "reparation" starting September 1, 1924.

It will be noted that all that separates the British from our tentative proposals is 5,000,000 gold marks.

It is probable that under these proposals we would be forced to waive interest on Army costs arrears. We are inclined to feel that offer made by Churchill is about as far as we can get him to go, though we may be able to obtain advance to 100,000,000 basis. If impossible to do better may we settle on either the 95 or the preferable 100 basis? Logan.

HERRICK

462.00 R 296/834 : Telegram

The Secretary of State to the Ambassador in France (Herrick)

[Paraphrase]

WASHINGTON, January 9, 1925—noon.

17. L-189 for Logan. Your L-304, January 9, noon. The Department has noted that you have indicated a willingness to accept the minimum of 100,000,000 gold marks, but that Army costs would commence on September 1, 1926, and that other payments would commence on September 1, 1924. In view of the willingness of this Government to postpone payments for past Army costs, notwithstanding that other Governments have been substantially paid, and in view of the further postponement of Army cost priorities to September 1, 1926, because of the provisions of the Dawes Plan in regard to expenditure of payments in these years within Germany, the Department believes that you should insist on the minimum of 100,000,000 gold marks in normal year, of which 50,000,000 at least and preferably more would consist of priority payments on Army costs.

If percentage is accepted for other claims, then priorities should be so defined as to yield to this Government the estimated minimum, or, if possible, a flat sum should be stipulated.

It appears to us to be inequitable, considering the delay in reimbursement of Army costs, that interest on arrears should be waived. This matter should not, however, present great practical difficulty, as it is difficult to believe that the relatively small payments necessary to cover amount due us will not in fact be made.

Of course, it is understood, as pointed out in your memorandum to Leith-Ross,¹³ that balances which have already accrued to our Army costs account through payments coming due before the going into effect of the Dawes report, are not to be considered as annuities, but are to be credited to capital amount of our Army costs claims.

HUGHES

462.00 R 296/837 : Telegram

The Secretary of State to the Ambassador in France (Herrick)

[Paraphrase]

WASHINGTON, January 9, 1925—3 p. m.

18. L-190 for Logan. Department's L-189, January 9, noon. In view of Churchill's willingness to settle on basis of 55,000,000 gold marks cash priority to commence September 1, 1926, for our Army costs account, you may accept this provided that there is added suitable percentage participation in "reparations account" that will yield minimum of 45,000,000 gold marks, making a minimum total of 100,000,000 gold marks during a normal year, and proportionate payments prior thereto.

HUGHES

462.00 R 296/840 : Telegram

The Ambassador in France (Herrick) to the Secretary of State

PARIS, January 10, 1925—5 p. m.

[Received January 10—1:51 p. m.]

28. L-307 [from Herrick, Kellogg, Logan]. We have just finished conferences with Churchill. We called on Churchill this afternoon for the purpose of discussing claims position. We finally agreed on following tentative proposal:

"It is recommend[ed] that the United States Government should receive: (1) 55,000,000 gold marks cash priority for 17½ years [commencing?] September 1, 1926; (2) two and a fourth [percent?] of reparation yield of Dawes annuities from September 1, 1924, provided that the annuity resulting from this percentage shall not in any year exceed 45[,000,000] gold marks. Subject to above, the United States Government (a) to waive any claim under the existing Wadsworth Agreement on the cash receipts from the Ruhr be-

¹³ *Foreign Relations*, 1924, vol. II, p. 132.

yond the sum of 62,500,000 gold marks now deposited at the Federal Reserve Bank, New York, which sum would be immediately released to the United States Treasury, and (b) waive the claim that the charge under the Wadsworth Agreement applies to reparation payments by any ex-enemy powers other than Germany.”

[Paraphrase]

On the basis of the foregoing Churchill stated that he was prepared to settle. We said that we should have to have the Department's approval. We feel that this is all that we can get; acceptance of this proposal will probably prevent discussion in the Conference.

Will Department verify balance “62,500,000 gold marks” said to be on deposit in Federal Reserve Bank in blocked account to our credit? It is Logan's impression that a larger sum is now on deposit there and that arrangement can readily be effected to have it included in the figure mentioned in the proposal. Please reply as soon as possible. Herrick, Kellogg, Logan.

HERRICK

462.00 R 296/840 : Telegram

The Secretary of State to the Ambassador in France (Herrick)

WASHINGTON, January 10, 1925—5 p. m.

26. L-193 for Herrick, Kellogg and Logan.

1. Department understands proposal your L-307¹⁴ involves: first, 55,000,000 gold marks cash priority 17½ years equivalent to about \$230,000,000 from September 1, 1926; and second, 2¼% of reparation yield from September 1, 1924, such yield not to exceed in any year 45,000,000 gold marks; also that subject to the above the United States (a) would not claim Ruhr receipts beyond the amount already received in accordance with the understanding with Belgium, which sum would be released to the United States Treasury at once, and (b) waive claim on reparation payments by ex-enemy powers other than Germany.

2. (a) Amount received from Belgium to be credited on army cost account pursuant to understanding with Belgium is \$14,725,154.40. Treasury states that it has notified this amount to the National Bank of Belgium.

(b) Assume waiver in (b) above would apply only while Dawes Plan in effect.

3. Priorities should be defined as set forth in previous instructions so that portion of Dawes annuities on which percentage applies will

¹⁴ *Supra.*

in normal year yield this figure. In this connection refer to your L-305¹⁵ in which Churchill seems to have been committed to the understanding that this amount should be at least 2,000,000,000 gold marks.

4. Adding to \$230,000,000 (see paragraph 1) about \$15,000,000 in blocked account, there remains about \$10,000,000 uncovered in our total bill of about \$255,000,000. Department's information indicates that credits under Wadsworth agreement will be somewhat less than \$10,000,000. Therefore 17½ year provision should be qualified so that there will be no question of full payment of army costs. If necessary it should be extended, for example, to 18 years.

5. [Paraphrase.] Regarding interest on Army costs, which you do not mention, the Department would prefer interest on arrears but would not insist. [End paraphrase.]

6. Subject to foregoing which should present no difficulty, you are authorized to accept above mentioned proposal.

7. I am very gratified and congratulate you upon your successful handling of this difficult negotiation.

HUGHES

462.00 R 296/842 : Telegram

The Ambassador in France (Herrick) to the Secretary of State

PARIS, January 11, 1925—6 p. m.

[Received 10:15 p. m.]

31. L-309 [from Logan].

1. Please cable earliest possible moment whether agreement to be drawn up at end of present Conference can be given effect by Executive approval also. Our impression is that this agreement does not require Senate approval, being governed by Wadsworth Agreement precedent.

2. Tentative draft findings of Conference generally follow arrangement of report of Experts Committee [of] Finance Ministers, see my L-294, December 30.¹⁶ [Paraphrase.] There are some disadvantages to our signing an agreement on these lines, in that it commits us tacitly to subjects in which we have no direct concern; but on the other hand our signature together with the signatures of the Allies on one document is easier to effect. [End paraphrase.] Could arrange for preamble of general agreement in effect to state that it was adopted for purpose of fixing the distribution of annuities under the Dawes report.

¹⁵ Not printed; see footnote 12, p. 135.

¹⁶ Not printed.

[Paraphrase]

If, however, the Department desires, we can arrange to have our settlement included in a separate document to which we and the Allies could subscribe, avoiding in this way the necessity of signing their agreement.

3. We feel, however, that entire effort this Conference involves exclusively a determination of distribution of annuities flowing from Dawes report, in which we took prominent part and in which our claims to participation have been recognized; as it is attempt to settle reparation question under Treaty of Berlin¹⁷ as well as under Treaty of Versailles, best practical results as well as best effect on public opinion generally and on German public opinion especially would be to have one inclusive agreement at this moment. Separate agreement presents the decided disadvantages which have been encountered in the press due to psychological factor resulting from the lack of unity in handling this question of reparation.

4. Presume final instrument should be signed by all representative members. Herrick, Kellogg, Logan.

HERRICK

462.00 R 296/844 : Telegram

*The Ambassador in Great Britain (Kellogg), Temporarily in Paris,
to the Secretary of State*

[Paraphrase]

PARIS, January 13, 1925—11 a. m.

[Received January 13—8:15 a. m.]

I see no reason why anyone but Logan need sign the agreement. All the details will probably be arranged and will finally be agreed upon tonight. Signing may be delayed by reason of the smaller powers desiring to examine the instrument. Is there any reason why I should wait after the matter is fully settled? Herrick agrees with me.

KELLOGG

462.00 R 296/846 : Telegram

The Ambassador in France (Herrick) to the Secretary of State

PARIS, January 13, 1925—11 a. m.

[Received January 13—10 a. m.¹⁸]

35. L-312 [from Herrick, Kellogg and Logan]. Following is text that part of Conference report entitled "Share of the United States of America in Dawes annuities":

¹⁷ Signed Aug. 25, 1921; *Foreign Relations*, 1921, vol. II, p. 29.

¹⁸ Telegram in two sections.

"A. Out of the amounts received from Germany on account of the Dawes annuities there shall be paid to the United States of America the following sums in reimbursement of the costs of the United States Army of Occupation and for the purpose of satisfying the awards of the Mixed Claims Commission established in pursuance of the agreement between the United States and Germany of August 10, 1922,¹⁹ the latter in an amount not exceeding \$350,000,000:

(1) 55,000,000 gold marks per annum, beginning September 1st 1926, and continuing until the principal sums outstanding on account of the costs of the United States Army of Occupation as already reported to the Reparation Commission shall be extinguished. These annual payments constitute a first charge on cash made available for transfer by the Transfer Committee out of the Dawes annuities after the provision of the sums necessary for the service of the 800,000,000 gold marks German external loan, 1924, and for the cost of the Reparation Commission, the organizations established pursuant to the Dawes Plan, the Interallied Rhineland High Commission, the Military Control Commissions and the payment to the Danube Commission provided for in article 9 below, and for any other prior charges which may hereafter with the assent of the United States be admitted. If in any year the total sum of 55,000,000 gold marks be not transferred to the United States, the arrears shall be carried forward to the next succeeding annual installment payable to the United States which shall be *pro tanto* increased. Arrears shall be chargeable [*sic*] and shall bear simple interest at four and a half from the end of the year in which said arrears accumulated until they are satisfied.

(2) Two and one-quarter percent (two and one-fourth percent) of all receipts from Germany on account of the Dawes annuities available for distribution as reparations, provided that the annuity resulting from this percentage shall not in any year exceed the sum of 45,000,000 gold marks.

B. Subject to the provisions of paragraph one [A] above the United States of America agree:

(1) To waive any claim under the Army Cost Agreement of May 25, 1923, on the cash receipts obtained from Germany since 1st January, 1923, beyond the sum of [\$]14,725,154.40 now deposited by Belgium to the Treasury of the United States in a blocked account in the Federal Reserve Bank of New York, which sum shall forthwith be released to the United States Treasury.

(2) That the agreement of May 25, 1923, does not apply to payments on account of reparations by any ex-enemy power other than Germany.

(3) That the Agreement of May 25, 1923, is deemed to be superseded by the present agreement.

C. The provisions of this agreement relating to the admission against the Dawes annuities of charges other than reparations, and the allotments provided for such charges, shall not be modified by the Allied Governments, so as to reduce the sums to be distributed as reparations save in agreement with the United States of America.

D. The United States of America is recognized as having an interest, proportionate to its two and one-fourth percent interest in the part of the annuities available for reparation, in any distribution of

¹⁹ *Foreign Relations*, 1922, vol. II, p. 262.

railway bonds, industrial debentures, or other bonds issued under the Dawes Plan, or in the proceeds of any sale of undistributed bonds or debentures, and as having the right also to share in any distribution or in the proceeds of any sale of such bonds or debentures for any arrears that may be due to it in respect of the repayment of its Army costs as provided in the present agreement. The United States of America is also recognized as having an interest in any other disposition that may be made of the bonds if not sold or distributed."

The foregoing will undoubtedly be approved by Conference. We consider this text meets Department's desires as communicated to us in cabled instructions and that therefore further approval of Department unnecessary. Herrick, Kellogg, Logan.

HERRICK

462.00 R 296/846 : Telegram

The Acting Secretary of State to the Ambassador in France (Herrick)

[Paraphrase]

WASHINGTON, *January 13, 1925—noon.*

30. L-195, for Herrick, Kellogg and Logan. Your L-312, January 13, 11 a. m. The reference to the limitation of our claims to \$350,000,000 raises the serious question of whether treaty rights are modified, because the exact amount of these claims is not ascertainable until the adjudication which is not yet completed, and also through the possible waiver of interest. An agreement so limited as to amount would have to be submitted to the Senate for advice and consent. If limitation were omitted submission would probably be unnecessary.

Please endeavor immediately to eliminate the limitation, which as drafted appears to be unnecessary. You will recall that the \$350,000,000 is only an estimate of the probable total awards.

The Department will furnish you with instructions on other points at the earliest possible moment.

GREW

462.00 R 296/846 : Telegram

The Acting Secretary of State to the Ambassador in France (Herrick)

WASHINGTON, *January 13, 1925—1 p. m.*

31. L-196, for Herrick, Kellogg and Logan. Your L-312.²⁰ Department understands that waiver with respect to payments on account of reparations of ex-enemy Powers other than Germany applies only to waiver of participation in respect of army costs. It

²⁰ *Ante*, p. 140.

is essential that nothing in the agreement shall preclude the United States from recovering in due course from the other ex-enemy States in respect of American claims other than army costs. As you know, agreements have been negotiated with Austria and Hungary for settlement of claims, and the United States necessarily looks to these governments for reimbursement in due course.

See Dept's L-195²¹ with further reference to your [L-]312.

GREW

462.00 R 296/842 : Telegram

The Acting Secretary of State to the Ambassador in France (Herrick)

WASHINGTON, January 13, 1925—2 p. m.

33. L-198 for Herrick, Kellogg and Logan. Your L-309.²²

(1) If there is nothing in the agreement constituting a modification of our treaty rights Department believes agreement can be given effect merely by Executive approval. But if agreement is drawn in same form as Finance Ministers' agreement of March 1922 we would not (repeat not) presumably be precluded by the terms of the agreement from seeking Senate approval, if necessary. If other signatories desire usual clause respecting ratification, wording of Wadsworth Agreement should be used.

(2) Department has just received your L-312.²³ See answer in Department's L-195.²⁴ Limitation of maximum amount of our claims for damages to figure of 350 million dollars might well constitute a modification of our treaty rights. If limitation can not be eliminated, Department would probably find that agreement should be submitted to the Senate.

(3) [Paraphrase.] The Department believes that it is preferable to have one agreement, not only for reasons you outline in your paragraph 3, but also because our participation would be assured when major agreement in which the Allies are interested becomes effective. [End paraphrase.] Since, however, many of the subjects discussed do not directly concern the United States, you should on signing make the following declaration to be recorded in the agreement:

"In signing the present agreement the representatives of the United States declare that the United States is not to be understood as assuming thereby any obligations for the United States nor as passing upon questions that do not concern American participation in the sums distributed pursuant to the agreement."

²¹ *Supra.*

²² *Ante*, p. 139.

²³ *Ante*, p. 140.

²⁴ *Ante*, p. 142.

The Department deems the foregoing preferable to the suggestion contained in your L-311 just received.²⁶

(4) Department will be glad to have you all three sign. However, in view of Kellogg's January 13, 11 a. m., this question left to your discretion.

GREW

462.00 R 296/850 : Telegram

The Ambassador in France (Herrick) to the Secretary of State

PARIS, January 14, 1925—noon.

[Received January 14—9:05 a. m.]

41. L-313 [from Herrick, Kellogg and Logan]. Reference Department's L-195²⁷ and our L-312.²⁸ Following phrase eliminated from final text: "The latter in an amount not exceeding \$350,000,000." Herrick, Kellogg, Logan.

HERRICK

462.00 R 296/851 : Telegram

The Ambassador in France (Herrick) to the Secretary of State

PARIS, January 14, 1925—noon.

[Received January 14—10:40 a. m.]

42. L-314 [from Herrick, Kellogg and Logan]. Reference Department's L-198.²⁹ Message received while we were signing. After talking very confidentially with one or two members, we fear to make a fight in the open conference because of the fear that others would begin to attach reservations with possible disastrous consequences. There is no commitment on our part as to obligations of other governments. Commitments between Allied Governments specifically state their being "between Allied Governments." Where we are concerned specific reference is made "United States of America." For foregoing reasons and as our position amply protected we have signed without reservation of any kind whatsoever.

If you desire we can file a letter with Secretariat General as part of the minutes of conference making the foregoing points clear but we think it inadvisable to do so.

Reference your paragraph 2, L-198, see our L-313.³⁰ Herrick, Logan, Kellogg.

HERRICK

²⁶ Not printed.

²⁷ *Ante*, p. 142.

²⁸ *Ante*, p. 140.

²⁹ *Ante*, p. 143.

³⁰ *Supra*.

462.00 R 296/852 : Telegram

The Ambassador in France (Herrick) to the Secretary of State

PARIS, January 14, 1925—noon.

[Received January 14—10:48 a. m.]

43. L-315 [from Herrick, Kellogg and Logan]. Reference Department's L-196.³¹ Subparagraph 2 (b) our L-312 (see our L-312)³² provides specifically "that the Agreement of May 25, 1923" (in other words specifically the Wadsworth Agreement) "does not apply to payments on account of reparation by any ex-enemy powers other than Germany". Will be seen by this that only waiver we have made is waiver under Wadsworth Agreement for claims such as example the Bulgarian moneys³³ and in no way affects the rights we have under our treaties with Austria, Hungary and Turkey. Herrick, Kellogg, Logan.

HERRICK

462.00 R 296/910

*Final Protocol of the Conference and Agreement Regarding the Distribution of the Dawes Annuities, Signed at Paris, January 14, 1925*³⁴

FINAL PROTOCOL

The representatives of the Governments of Belgium, France, Great Britain, the United States of America, Italy, Japan, Brazil, Greece, Poland, Portugal, Roumania, Serb-Croat-Slovene State, Czechoslovakia, assembled at Paris from the 7th to the 14th January 1925 with a view to settling as between their respective Governments questions which arise out of the distribution of the receipts already entered, or to be entered, in the accounts of the Reparation Commission, in particular after the 1st January 1923 to 1st September 1924, and also in the first years of the application of the Dawes Plan which formed the subject of the Agreements concluded in London on 31st August 1924,

³¹ *Ante*, p. 142.

³² *Ante*, p. 140.

³³ For previous correspondence concerning Bulgarian payments, see *Foreign Relations*, 1924, vol. II, pp. 152 ff.

³⁴ In English and French; French text not printed. Corrections of errata, formally set forth in a protocol of Jan. 22, 1925 (not printed), are incorporated in the present definitive text.

Have agreed on the provisions contained in the Agreement of to-day's date of which a copy is attached to the present Protocol.

DONE AT PARIS, *14th January 1925.*

CLEMENTEL
 G. THEUNIS
 WINSTON S. CHURCHILL
 MYRON T. HERRICK
 FRANK B. KELLOGG
 JAMES A. LOGAN JR.
 ALBERTO DE' STEFANI
 K. ISHII
 L. M. DE SOUZA DANTAS
 EM. J. TSOUDEROS
 J. MROZOWSKI
 J. KARSNICKI
 ANTONIO DA FONSECA
 VINTILA BRATIANO
 N. TITULESCU
 STOYADINOVITCH
 STEFAN OSUSKY

AGREEMENT

The Governments of Belgium, France, Great Britain, Italy, Japan, the United States of America, Brazil, Greece, Poland, Portugal, Roumania, the Serb-Croat-Slovene State and Czechoslovakia, respectively represented by the undersigned, have agreed as follows.

AGREEMENT REGARDING THE DISTRIBUTION OF THE DAWES ANNUITIES

SUMMARY

CHAPTER I.—ALLOCATION OF DAWES ANNUITIES

- ART. 1. Costs of Commissions
- ART. 2. Costs of Armies of Occupation 1924-1925
- ART. 3. Share of the United States of America in the Dawes Annuities
- ART. 4. Belgian War Debt
- ART. 5. Restitutions
- ART. 6. Belgian Priority
- ART. 7. Greek and Roumanian share of reparations
- ART. 8. Miscellaneous Claims
- ART. 9. Compensation due to the European Commission of the Danube
- ART. 10. Clearing Office Balances

CHAPTER II.—SETTLEMENT OF PAST ACCOUNTS

- ART. 11. Distribution Accounts: Provision as to Arbitration
- ART. 12. Ruhr Accounts

CHAPTER III.—SPECIAL QUESTIONS ARISING OUT OF PREVIOUS AGREEMENTS

- ART. 13. Extension beyond January 1st, 1923 of the provisions of Article 2 of the Agreement of the 11th March 1922: Appropriation of Deliveries in Kind to the Costs of the Armies of Occupation
- ART. 14. Extension beyond January 1st, 1923 of the provisions of Article 6 of the Agreement of 11th March 1922: Retention by each Power of the Deliveries in Kind received by it

CHAPTER III.—SPECIAL QUESTIONS ARISING OUT OF PREVIOUS AGREEMENTS—CON.

ART. 15. Costs of Armies of Occupation from 1st May 1922 to 31st August 1924

ART. 16. Debits for vessels allotted or transferred to Belgium under Article 6 (4) of the Spa Protocol

ART. 17. Debits for Shantung Mines and Railways

CHAPTER IV.—INTEREST AND ARREARS

ART. 18. Interest Account

ART. 19. Account of Excesses and Arrears as at 1st September 1924

ART. 20. Recovery of Arrears

ART. 21. Costs of Armies of Occupation to 1st May 1921

CHAPTER V.—MISCELLANEOUS QUESTIONS

ART. 22. Repayment of Czechoslovakia in respect of certain Deliveries in Kind

ART. 23. Bulgarian Payments

ART. 24. Properties ceded to the Free City of Danzig

ART. 25. Recommendations with regard to the distribution of the payments throughout the year

ART. 26. Interpretation and Arbitration

ART. 27. Reservation as to the rights and obligations of Germany

CHAPTER I.—ALLOCATION OF THE DAWES ANNUITIES

ARTICLE 1

COSTS OF THE COMMISSIONS

A) The maximum normal charge on the Dawes Annuities of the Reparation Commission, including the organisations set up under the Dawes Plan, shall be:

For the year from 1st

September 1924..... 9 1/4 million gold marks.

For the later years..... 7 1/2 — —

(to be taken partly in foreign currencies or in German currency as required).

Of these sums not more than 3,700,000 gold marks a year shall be attributable to the organisations set up under the Dawes Plan. If necessary this sum may be increased in order to meet the costs of the arbitral bodies provided for by the Dawes Plan and the London Protocol.

B) The maximum charge for the Interallied Rhineland High Commission (including deliveries under Articles 8–12 of the Rhineland Agreement) shall not exceed 10 million gold marks (to be taken in foreign currencies or in German currency as required) for the year from 1st September 1924, this sum being allocated between the French, British and Belgian High Commissariats in the proportion of 62:16:22, after providing for the other expenses of the Commission. The amount for any later year will be settled at a later date.

C) The charge of the Military Commission of Control shall not exceed a maximum of 8 million gold marks (to be taken in German currency) in the year from 1st September 1924. The amount of any

later year will be settled at a later date. This figure does not include the Commission's expenses in national currencies, which shall continue to be paid by the Governments concerned, the amounts so paid being credited to their respective accounts by the Reparation Commission.

ARTICLE 2

COSTS OF ARMIES OF OCCUPATION 1924/1925

A) The sums to be allowed as a prior charge on payments by Germany during the year 1st September 1924 to 31st August 1925 in respect of the costs of the Armies of Occupation of Belgium, Great Britain and France, shall be fixed at the following amounts:

Belgian Army	25,000,000	gold marks.
British Army	25,000,000	—
French Army	110,000,000	—

B) Belgium, Great Britain and France will meet their additional Army costs during the period mentioned out of their respective shares in German reparation payments, but shall not be debited on reparation account therewith, that is to say, their respective reparation arrears will be increased by corresponding sums.

C) The additional Army costs shall be calculated as follows. Each Power will be entitled to receive:

1. The sums payable under the Finance Ministers' Agreement of 11th March 1922, calculated in the case of Great Britain on the basis of the French capitation rate with a special allowance of 2 gold marks a man, converted into sterling on the basis of the mean rates of exchange of the respective currencies during the month of December 1921. The value of German marks supplied to the Armies of Occupation and the value of any requisitions under Article 6 of the Rhineland Agreement shall, as heretofore, be included in these sums, and

2. The value of the requisitions and services under Articles 8-12 of the Rhineland Agreement, which are credited to Germany in the accounts of the Agent General for Reparations.

For each Power the additional Army costs shall be the difference between the total sum so calculated and the amount of the prior charge set out in paragraph (A) above.

D) It is agreed that the Powers concerned in the occupation shall not charge for effectives in excess of the strength authorised for each respectively by Article 1 (2) and (3) of the Agreement of 11th March 1922.

E) The provisions of this Article for the year to 31st August 1925 are accepted without prejudice to any question of principle, and

the Allied Governments and the Government of the United States of America will discuss, before the 1st September 1925, the arrangement for Army Costs in the future.³⁵

ARTICLE 3

SHARE OF THE UNITED STATES OF AMERICA IN THE DAWES ANNUITIES

A) Out of the amount received from Germany on account of the Dawes annuities, there shall be paid to the United States of America the following sums in reimbursement of the costs of the United States Army of Occupation and for the purpose of satisfying the awards of the Mixed Claims Commission established in pursuance of the Agreement between the United States and Germany of August 10th, 1922.

1. Fifty-five million gold marks per annum beginning September 1st, 1926, and continuing until the principal sums outstanding on account of the costs of the United States Army of Occupation, as already reported to the Reparation Commission, shall be extinguished. These annual payments constitute a first charge on cash made available for transfer by the Transfer Committee out of the Dawes Annuities, after the provision of the sums necessary for the service of the 800 million gold mark German external loan, 1924, and for the costs of the Reparation Commission, the organisations established pursuant to the Dawes Plan, the Interallied Rhineland High Commission, the Military Control Commissions, and the payment to the Danube Commission provided for in Article 9 below, and for any other prior charges which may hereafter with the assent of the United States of America be admitted. If in any year the total sum of fifty-five million gold marks be not transferred to the United States of America the arrears shall be carried forward to the next succeeding annual instalment payable to the United States of America, which shall be *pro tanto* increased. Arrears shall be cumulative and shall bear simple interest at 4½% from the end of the year in which the said arrears accumulated until they are satisfied.

2. Two and one quarter per cent (2¼%) of all receipts from Germany on account of the Dawes Annuities available for distribution as reparations, provided that the annuity resulting from this percentage shall not in any year exceed the sum of forty-five million gold marks.

B) Subject to the provisions of Paragraph A above, the United States of America agree:

1. To waive any claim under the Army Cost Agreement of May 25th 1923, on cash receipts obtained since 1st January 1923 beyond the sum of \$14,725,154.40 now deposited by Belgium to the account of the Treasury of the United States in a blocked account in the

³⁵ See agreement signed Sept. 21, 1925, p. 163.

Federal Reserve Bank of New-York, which sum shall forthwith be released to the United States Treasury.

2. That the Agreement of May 25th 1923 does not apply to payments on account of reparations by any ex-enemy Powers other than Germany.

3. That the Agreement of May 25th 1923, is deemed to be superseded by the present Agreement.

C) The provisions of this Agreement relating to the admission against the Dawes Annuities of charges other than reparations, and the allotments provided for such charges shall not be modified by the Allied Governments, so as to reduce the sums to be distributed as reparations save in agreement with the United States of America.

D) The United States of America is recognised as having an interest, proportionate to its 21¼% interest in the part of the annuities available for reparation, in any distribution of railway bonds, industrial debentures or other bonds issued under the Dawes Plan, or in the proceeds of any sale of undistributed bonds or debentures and as having the right also to share in any distribution or in the proceeds of any sale, of such bonds or debentures for any arrears that may be due to it in respect of the repayment of its army costs as provided in the present Agreement. The United States of America is also recognised as having an interest in any other disposition that may be made of the bonds if not sold or distributed.

ARTICLE 4

BELGIAN WAR DEBT

A) As from the 1st September 1924 5% of the total sum available in any year after meeting the charges for the service of the German External Loan, 1924, and the charges for Costs of Commissions; Costs of U. S. Army of Occupation; Annuity for Arrears of pre-1st May 1921 Army Costs; Prior charge for current Army Costs; and any other prior charges which may hereafter be agreed, shall be applied to the reimbursement of the Belgian War Debt as defined in the last paragraph of Article 232 of the Treaty of Versailles.

B) The amounts so applied in any year shall be distributed between the Powers concerned in proportion to the amount of the debts due to them respectively as at 1st May 1921. Pending the final settlement of the accounts, France shall receive 46% Great Britain 42% and Belgium (by reason of her debt to U. S. A.) 12%.³⁸

³⁸ The Belgian percentage was later increased to 14.7.

ARTICLE 5

RESTITUTION

A) There shall be applied to the satisfaction of claims for restitution:

a) During the first four years 1% of the total sum available in any year after meeting the charges for the service of the German External Loan, 1924, and the charges for Costs of Commissions: Costs of U. S. Army of occupation; annuity for arrears of pre-1st May 1921 Army Costs; prior charge for current Army Costs; and any other prior charge which may hereafter be agreed;

b) During subsequent years 1% of the balance of the first milliard after meeting the charges enumerated above and 2% of the surplus of the annuity.

B) The amount so applied shall be distributed between the Powers having a claim for restitution proportionately to their respective claims under this head as accepted by the Reparation Commission.

C) The French and Italian Governments reserve their rights to claim restitution of certain objects of art by the application of article 238 of the Treaty of Versailles. The other Allied Governments will support their efforts to secure the execution by Germany of such restitution. Nevertheless, if the fulfilment of this obligation involves a charge on the Dawes annuities the value will be charged against the share in the annuity of the Power interested.

ARTICLE 6

BELGIAN PRIORITY

A) It is agreed that the determination of the exact position as regards the satisfaction of the Belgian priority depends on the settlement of the distribution account which the Reparation Commission has been requested to draw up.

B) Out of the part of the annuities received from Germany and available for distribution as reparations among the Allied Powers after 1st September 1924, Belgium will receive:

a) During the year commencing 1st September 1924: 8%.

b) During the year commencing 1st September 1925, so long as Belgian priority is not extinguished 8% of each monthly payment. As soon as the priority is extinguished, the percentage of all further payments during the year in question will be reduced to 4.5%.

c) During the year commencing 1st September 1926 and during each succeeding year: 4.5%.

This reduction in percentage is accepted as fully discharging Belgium from her obligations to repay her priority.

C) As from the date at which Belgian priority is extinguished or at the latest from 1st September 1926, the 3½% released by the above arrangements for the repayment of the Belgian priority will be payable to France and Great Britain in the proportion 52:22, in addition to their Spa percentages.

The sums debited to Belgium in respect of the period to 1st September 1924, will not be regarded as creating for her either excess payments or arrears, provided that this shall be without prejudice to the liability of Belgium to account for any final balance under the Economic Clauses of the Treaty.

D) The right accruing to Belgium as a result of previous Agreements on payments received or to be received from or on account of Austria, Hungary and Bulgaria remain unaltered.

ARTICLE 7

GREEK AND ROUMANIAN REPARATION PERCENTAGES

A) The percentage of reparation payments available for distribution between the Allied Powers to be allotted to Greece is fixed at 0.4 per cent of payments by Germany and of the first half of payments by Austria, Hungary and Bulgaria and 25 per cent of the second half of payments by Austria, Hungary and Bulgaria.

B) The percentage of reparation payments available for distribution between the Allied Powers to be allotted to Roumania is fixed at 1.1 per cent of payments made by Germany and of the first half of payments by Austria, Hungary and Bulgaria, and 20 per cent of the second half of payments made by Austria, Hungary and Bulgaria.

ARTICLE 8

MISCELLANEOUS CLAIMS

A) The following claims namely:

a) Costs of military occupation of the Plebiscite zones (Annex to Article 88 of Treaty);

b) Costs of repatriation of German prisoners of war (Article 217 of the Treaty);

c) Repayment of exceptional war expenses advanced by Alsace-Lorraine during the war, or by public bodies in Alsace-Lorraine, on account of the Empire (Article 58 of the Treaty);

d) Payment of certain indemnities in the Cameroons and French Equatorial Africa (Articles 124 and 125 of the Treaty).

shall be submitted for valuation to the Reparation Commission which shall be at liberty to use for this purpose all the means at its disposal including reference to arbitration as proposed in Article 11 below.

The amounts of these claims, when established shall be credited to the interested Powers in their Reparation accounts as at the 1st September 1924, and the credits treated as arrears at that date in accordance with the provisions of Article 19 below.

B) The following claims would appear to be payable apart from and in addition to the Dawes annuities namely:

a) The costs of the civil and military pensions in Alsace-Lorraine earned at the date of the Armistice (Article 62 of the Treaty);

b) The transfer of the reserves of social insurance funds in Alsace-Lorraine (article 77 of the Treaty). Should, however, the German Government succeed in establishing that these claims must be met out of the Dawes Annuities the Allied Government[s] will concert together as to the manner in which they should be dealt with.

ARTICLE 9

COMPENSATION DUE TO THE EUROPEAN COMMISSION OF THE DANUBE

There shall be paid forthwith to the European Commission of the Danube out of the Annuities the sum of 266,800 gold francs, being the amount agreed to be due from Germany to the Commission in respect of compensation for damages.

ARTICLE 10

CLEARING OFFICE BALANCES

No special charge shall be admitted against the Dawes annuities in respect of Clearing Offices balances of pre-war debts or other claims under the Economic Clauses of the Treaty unless it is shown that any Allied Power claiming the benefit of such charge has a net credit balance due for payment, after applying, to meet its claims under the Economic Clauses, the German properties and other assets which it has the power to liquidate under the same articles. No provision shall be made for such net credit balances during the first four years of the Dawes Plan.

CHAPTER II—SETTLEMENT OF PAST ACCOUNTS

ARTICLE 11

DISTRIBUTION ACCOUNTS.—PROVISION AS TO ARBITRATION

The Allied Governments request the Reparation Commission to draw up as soon as possible definite distribution accounts as at 1st September 1924.

They will give authority to their respective Delegates on the Reparation Commission, to submit to arbitration all questions of fact

or of figures arising on the accounts and to the fullest possible extent, questions of interpretation, on which they are not unanimous, in so far as is not already provided for in any existing arrangement.

The above provisions will apply in particular to the settlement of the Ruhr accounts in accordance with the principles set out below and to questions which may arise in regard to the amounts due under the heads of restitutions or other non-repa[ra]tion claims.

ARTICLE 12

RUHR ACCOUNTS

A) The Reparation Commission shall fix in accordance with the provisions of the Treaty of Versailles and the practice hitherto in force the value in gold marks of the receipts of every nature obtained by the French, Belgian, and Italian Governments from Germany since 11th January 1923, in so far as such receipts have not already been accounted for to it. The Reparation Commission shall similarly determine the amounts to be set against such receipts with a view to securing that the Powers concerned receive credit for expenditure actually incurred by them, subject, however, to the detailed provisions below with respect to Army Costs.

B) Separate accounts will be drawn up for deliveries in kind and cash receipts.

C) The account of deliveries in kind shall include the value as determined by the Reparation Commission of:

1. Deliveries in kind not yet accounted for to the Commission including deliveries paid for from the "fonds commun" and the "fonds special".

2. All requisitions under or on the analogy of Article 6 of the Rhineland Agreement and all paper marks seized and fines imposed by the Armies of Occupation during the period 1st January 1923, up to the 31st August 1924, in so far as they have not already been reported to the Reparation Commission.

Against these receipts will be allowed as deductions the extra costs incurred by the French and Belgian Governments during the period 1st January 1923, to the 31st August 1924, through the maintenance of military forces in German territory not occupied on the 1st January 1923, after setting off the normal costs of the maintenance of these forces in their home garrisons.

The net value of the deliveries in kind so determined shall be debited in the reparation accounts against the Powers which have received them.

The value of coal and coke sold to Luxemburg during the same period shall be treated as a delivery in kind to France.

D) The account of cash receipts shall include cash receipts of all kinds obtained by the Occupying Powers including the gross amounts obtained from taxes or duties, licences, derogations, etc. . . . , and the net receipts of the Railway Regie, as ascertained by the Reparation Commission after verification of the accounts.

From these receipts will be allowed as deductions the civil costs of collection and expenses of administration incurred before the 31st August 1924, and the costs of loading coal and exploitation of mines and cokeries up to the same date.

The balance of the account shall, with the exception of the sum mentioned in sub-paragraph 1 of parag. B of Art. 3, be paid over to the Belgian Government which shall be debited on account of the priority for the period before 1st September 1924, with the full amount so received less the interest due on the German Treasury Bills transferred to Belgium in 1922.

E) In accordance with Annexe III to the London Protocol no claim will be made for payment out of the Dawes annuities of any costs in respect of military forces in German territory not occupied on the 1st January, 1923, other than the value of requisitions effected by, or services rendered to these forces after 1st September, 1924. The value of such requisitions or services will be accounted for as deliveries on Reparation Account to the Allied Powers concerned.

CHAPTER III—SPECIAL QUESTIONS ARISING OUT OF PREVIOUS AGREEMENTS

ARTICLE 13

EXTENSION BEYOND JANUARY 1ST, 1923 OF THE PROVISIONS OF ARTICLE 2 OF THE AGREEMENT OF MARCH 11, 1922: APPROPRIATION OF DELIVERIES IN KIND TO THE COSTS OF ARMIES OF OCCUPATION

The French, British and Belgian Governments agree that the *forfaits* fixed, or to be fixed, for their respective armies of occupation from the 1st January, 1923, and until the 31st August, 1928, in so far as they are not met out of requisitions of paper marks and services, etc., under Article 6 of the Rhineland Agreement, should be charged on the deliveries in kind (including receipts under the British Reparation Recovery Act and any similar levy established by any other Government) received by them respectively, and the Reparation Commission is requested to give effect to this decision in its accounts.

ARTICLE 14

EXTENSION BEYOND JANUARY 1ST, 1923, OF THE PROVISIONS OF ARTICLE 6 OF THE AGREEMENT OF MARCH 11, 1922: RETENTION BY EACH POWER OF THE DELIVERIES IN KIND RECEIVED BY IT

Each of the Allied Governments having a credit due to it on reparation account shall be entitled to retain, without being required to make payment in cash for the value thereof, the deliveries in kind (including Reparation Recovery Act Receipts) received and retained by them between the 31st December 1922, and the 1st September 1924. The receipts of each Power, however, up to the 1st September 1924, shall be taken into account in determining the adjustments provided for in Article 19.

ARTICLE 15

COSTS OF THE ARMIES OF OCCUPATION FOR THE PERIOD 1ST MAY 1922 TO 31ST AUGUST 1924

A) The credits to be given in respect of the costs of occupation for the period 1st May 1922 to 1st May 1924, are as follows:

	French share of <i>forfait</i>	Belgian share of <i>forfait</i>	British share of <i>forfait</i>
	<i>Gold marks</i>	<i>Gold marks</i>	<i>Gold marks</i>
May 1st, 1922 to April 30th, 1923-----	155, 526, 693	30, 680, 158	21, 092, 922
May 1st, 1923 to April 30th, 1924-----	117, 195, 330	23, 284, 922	22, 369, 567

B) As regards the costs of occupation for the period 1st May 1924 to 31st August 1924, the Allied Governments will authorise their representatives on the Reparation Commission to make the necessary adjustment on the basis of the principles on which the above figures were calculated.

C) The Reparation Commission is requested to introduce those figures into its accounts for the years in question.

ARTICLE 16

DEBITS FOR THE VESSELS ALLOTTED OR TRANSFERRED TO BELGIUM UNDER ARTICLE 6 (4) OF THE SPA PROTOCOL

The debits in the Interallied accounts for the vessels allotted or transferred to Belgium under Article 6 (4) of the Spa Protocol shall be dealt with under Article 12 of the Finance Ministers' Agreement of the 11th March 1922 instead of as provided for in the Spa Protocol.

ARTICLE 17

DEBIT FOR SHANTUNG RAILWAYS AND MINES

In respect of the Railways and Mines referred to in the second paragraph of Article 156 of the Treaty of Versailles, Japan will be debited by the Reparation Commission in the Interallied accounts only with the equivalent of compensation which has been or may be in fact paid by the German Government to its nationals for their interests. Pending the establishment of the amounts in question Japan will be regarded as entitled to her full percentage of reparations as from 1st September 1924.

CHAPTER IV—INTEREST AND ARREARS

ARTICLE 18

INTEREST ACCOUNT

The Allied Governments agree that all interest charges on reparation receipts up to 1st September 1924, should be waived as between the Allied Powers and all provisions in existing agreements requiring interest accounts to be kept to that date are cancelled. Interest at 5% shall, however, be charged as from 1st September, 1924, on the excess receipts shown in the account to be drawn up under Article 19 below as due at that date by any Allied Power to the Reparation Pool as well as on any further excess receipts which may accrue after that date until they are repaid.

ARTICLE 19

EXCESSES AND ARREARS

A) The Reparation Commission shall as soon as possible draw up an account showing, as at 1st September, 1924, for each Power entitled to a share in the reparation payments of Germany, but not including the United States of America.

a) The net receipts of that Power on reparation account as at 1st September, 1924, which shall be calculated by deducting from its total gross receipts as valued for the purpose of Interallied distribution, the credits due to it in respect of Spa coal advances, of costs of Armies of Occupation (excluding the arrears as at 1st May, 1921, provided for in Article 21), costs of Commissions of Control not paid in German currency, profits on exchange, and of any other approved claims such as the claims referred to in Article 8 A) of this Agreement;

b) The amount that Power should have received had the total net reparation receipts of all the Powers been distributed in accordance with the Spa percentages.

By deducting from the amount due to each Power its actual debit, the Reparation Commission will determine the arrears due to that power or the excess payments due from that Power as at 1st September, 1924.

B) A similar calculation shall be made by the Reparation Commission on the 1st September in each succeeding year.

C) For the purpose of the above calculations the figures relating to Belgium shall be included on the same footing as those relating to other Powers but, save as provided elsewhere in this Agreement, Belgium shall be free of any obligation to repay reparation receipts obtained before 1st September 1924.

Belgium shall, however, if the case arises, be required to account with interest for any excess of reparation receipts obtained by her after 1st September 1924, over her due proportion, as laid down elsewhere in this Agreement, of the total receipts effectively debited to all the Powers after that date. In the contrary case Belgium will be regarded as having a claim in respect of arrears.

D) The provisions of the second paragraph of Article 7 of the Agreement of 11th March 1922 relating to the debits to be entered in the account to be drawn up under Article 235 of the Treaty in respect of coal received by Italy before 1st May 1921, shall apply also to the debits for coal received by Italy between 1st May 1921 and 31st December 1922.

ARTICLE 20

RECOVERY OF ARREARS

Except as otherwise provided for in this Agreement:

(A) The excess receipts of any Power as fixed at the end of each year under Article 19 shall be repaid by the deduction of a certain percentage from the share of that Power in each succeeding annuity until the debt is extinguished with interest at 5%, provided that no repayments under this sub-section shall be required out of the annuities for the years commencing 1st September 1924 and 1st September 1925.

(B) In the case of Italy and the S. H. S. State this deduction shall be fixed at 10%. In the case of other countries the deduction shall be calculated by the Reparation Commission on a similar basis.

(C) The repayments made by the Debtor Powers shall be distributed between the Powers in credit to the Reparation Pool in proportion to their respective arrears.

ARTICLE 21

COSTS OF THE ARMIES OF OCCUPATION TO 1ST MAY 1921

The arrears due to France and Great Britain on account of pre-1st May 1921 Army Costs shall be excluded from the general account of arrears and shall be discharged by a special allotment out of the Dawes annuities (ranking immediately after the charge in favour of U. S. Army Costs) of the following amounts namely:

1st year	15 million gold marks.
2nd year	20 — — —
3rd year	25 — — —
4th year	30 — — —

and thereafter an annuity of 30 million gold marks till the arrears are extinguished.

This allotment shall be divided between France and Great Britain in the proportions France 57%, Great Britain 43%. The allotment shall be taken in deliveries in kind during the first two years of the Dawes Plan and thereafter may be transferred either in deliveries in kind or cash. This arrangement will not affect the distribution of any cash receipts now in the hands of the Reparation Commission available for the liquidation of Army Costs arrears, which receipts will be dealt with in accordance with Article 8 of the Agreement of 11th March 1922 and credited against the capital arrears. Further, the annuity above provided for will retain a prior charge up to 25% of its amount on any cash receipts not arising out of the Dawes Plan which may accrue to the Reparation Commission in the future on account of Germany.

CHAPTER V—MISCELLANEOUS QUESTIONS

ARTICLE 22

PAYMENT BY CZECHOSLOVAKIA FOR DELIVERIES IN KIND

The sums due by Czechoslovakia to the Reparation Commission in respect of the deliveries in kind received by her from Germany and Hungary since 1st May 1921, shall be placed in a suspense account and carry interest at 5% from the 1st September, 1924.

ARTICLE 23

BULGARIAN PAYMENTS

Without prejudice to any question of principle, the payments made or to be made up to 31st December 1926, by Bulgaria under the Protocol of Sofia dated 21st March 1923, will be distributed between the Allied Powers in the proportions laid down in Article 2 of the Spa Protocol. The Allied Governments will agree together as to the method of distribution of these payments to be adopted after 31st December 1926.

ARTICLE 24

PROPERTIES CEDED TO THE FREE CITY OF DANZIG

The Allied Governments give full powers to their respective representatives on the Reparation Commission to settle all questions connected with the debt due by the Free City of Danzig in respect of the value of the public properties ceded to the Free City by Germany, including such adjustments of the payments to be made by the Free City as may be necessitated by its financial situation.

ARTICLE 25

RECOMMENDATIONS WITH REGARD TO DISTRIBUTION OF PAYMENTS THROUGHOUT THE YEAR

The Finance Ministers draw the attention of the Reparation Commission to the fact that the operation of the Dawes Plan would be greatly facilitated if the Agent General for Reparation Payments could so arrange that the annual payments to be made during the operation of the Dawes Plan may be distributed throughout the course of each year, and they request the Reparation Commission and the Agent General to consider what steps can be taken to secure this result, which is of particular importance during the second and third years of the Plan.

With a view to accomplishing this result the Allied Governments, so far as they are concerned, authorise the Reparation Commission and the Agent General for Reparation Payments in cooperation with the Trustees for Railway Bonds and Industrial Debentures to take all action that may be necessary to arrange the due dates of the payments to be made on the Railway and Industrial Bonds so as to provide for a gradual and even flow of payments throughout each annuity year.

Furthermore, the Finance Ministers authorise the Reparation Commission to make arrangements, so far as may be practicable without prejudicing the requirements of other Powers, to enable the Portuguese Government to obtain during the earlier months of the second year of the Dawes Plan (within the limit of its share in the second annuity) the sums necessary to complete certain outstanding orders for deliveries in kind of special importance to it.

ARTICLE 26

INTERPRETATION AND ARBITRATION

This Agreement shall be transmitted to the Reparation Commission, and the Commission will be requested to give effect thereto and to adjust the payments during the remainder of the year to 31st August 1925, and during subsequent years, so that the total receipts of each Allied Power during each year shall not exceed its share under this Agreement. The Reparation Commission shall have authority by unanimous resolution to interpret the provisions of the Agreement, in so far as the Allied Powers are concerned. If any difference or dispute shall arise on the Reparation Commission or between the Allied Powers in respect of the interpretation of any provisions of this Agreement or as to anything to be done hereunder whether by the Commission or otherwise, the same shall be referred to the arbitration of a single arbitrator to be agreed unanimously by the members of the Reparation Commission, or, failing agreement, to be appointed by the President for the time being of the Permanent Court of International Justice.

Any difference or dispute that may arise with the United States of America regarding the interpretation of this Agreement affecting American claims or the rights of the United States of America under this Agreement shall be referred to an arbitrator to be agreed upon between the United States of America and the Reparation Commission acting unanimously.

ARTICLE 27

RESERVATION AS TO THE RIGHTS AND OBLIGATIONS OF GERMANY

The provisions of the present Arrangement concluded between the Powers interested in reparations do not prejudice any rights or obligations of Germany under the Treaties, Conventions and Arrangements at present in force.

The PRESENT AGREEMENT, done in English and French in a Single Copy will be deposited in the Archives of the Government of the

French Republic which will supply certified copies thereof to each of the Signatory Powers.

In the interpretation of this Agreement, the English and French texts shall be both authentic.

PARIS, *January 14th, 1925.*

CLEMENTEL
G. THEUNIS
WINSTON S. CHURCHILL
MYRON T. HERRICK
FRANK B. KELLOGG
JAMES A. LOGAN JR
ALBERTO DE' STEFANI
K. ISHII
L. M. DE SOUZA DANTAS
EM. J. TSOUDEROS
J. MROZOWSKI
J. KARSNICKI
ANTONIO DA FONSECA
VINTILA BRATIANO
N. TITULESCU
STOYADINOVITCH
STEFAN OSUSKY

462.00 R 294/428a : Telegram

The Secretary of State to the Ambassador in France (Herrick)

WASHINGTON, *January 15, 1925—5 p. m.*

47. L-204 for Logan. Please have National Bank of Belgium wire Federal Reserve Bank New York to "Release blocked account to order of Treasury of the United States".³⁷

HUGHES

462.00 R 294/430 : Telegram

The Ambassador in France (Herrick) to the Secretary of State

PARIS, *January 19, 1925—2 p. m.*

[Received January 19—11:49 a. m.]

70. L-331. Reference Department's L-204. Advised National Bank Belgium cabled Federal Reserve releasing account January 16.

Logan
HERRICK

³⁷ See sec. B, art. 3, agreement of Jan. 14, 1925, *supra*.

462.R296/1211

*Agreement Regulating the Amounts To Be Allocated Out of the Second Dawes Annuity for the Armies of Occupation in the Rhineland, the Inter-Allied Rhineland High Commission, and the Inter-Allied Military Commission of Control in Germany, Signed at Paris, September 21, 1925*³⁸

The Governments of Belgium, the United States of America, France, Great Britain, Italy, Japan, Brazil, Greece, Poland, Portugal, Roumania, the Serb-Croat-Slovene State and Czechoslovakia, respectively represented by the undersigned, have agreed as follows:—

ARTICLE 1

ARMIES OF OCCUPATION

The provisions of paragraphs A, B, C, D of Article 2 of the Financial Agreement of the 14th January, 1925, relative to the costs of the armies of occupation shall remain in force during the second year of the Dawes Plan.

One-twelfth of the credits therein provided for shall be allocated monthly.

The Allied Governments and the Government of the United States of America will discuss before the 1st September, 1926, under the conditions laid down in paragraph E of the above-mentioned Article, the arrangements for army costs in the future.

Nevertheless, if during the course of the second Dawes year the Allied Governments decide to evacuate or modify any of the zones of occupation, this discussion will take place within the two months following such evacuation or modification.

ARTICLE 2

INTER-ALLIED RHINELAND HIGH COMMISSION

The maximum charge for the Inter-Allied Rhineland High Commission (including deliveries under Articles 8 to 12 of the Rhineland Agreement) shall not exceed 9,000,000 gold marks (to be taken in foreign currency or in German currency as required) during the second year of the Dawes Plan, this sum being allocated between the French, British and Belgian Commissariats as follows:—

French High Commissariat	5, 580, 000
British High Commissariat	1, 440, 000
Belgian High Commissariat	1, 980, 000

³⁸ Reprinted from Great Britain, Cmd. 2558, Miscellaneous No. 16 (1925). See sec. E, art. 2, agreement of Jan. 14, 1925, pp. 145, 148, providing for this agreement.

This provision is only to be drawn upon as and to the extent required, and at the end of every three months the Inter-Allied Rhineland High Commission shall transmit to the Reparation Commission a certified statement of the expenditure actually incurred by each Delegation in the execution of its duties under the Rhineland Agreement.

A similar statement covering the expenditure of the first Dawes year will be transmitted to the Reparation Commission as soon as possible after the 31st August, 1925.

Any savings at the end of the year will be paid into the common reparation fund for distribution in accordance with the provisions of the Financial Agreement of the 14th January, 1925, to the Powers having the right under that Agreement to participate in the receipts from Germany on account of the Dawes annuities available for distribution as reparations.

The Allied Governments and the Government of the United States of America will discuss before the 1st September, 1926, the arrangements for the costs of the Inter-Allied Rhineland High Commission in the future.

Nevertheless, if during the course of the second Dawes year the Allied Governments decide to evacuate or modify any of the zones of occupation, this discussion will take place within the two months following such evacuation or modification.

ARTICLE 3

INTER-ALLIED MILITARY COMMISSION OF CONTROL

The charge of the Military Commission of Control shall not exceed a maximum of 6,800,000 gold marks (to be taken in German currency) in the second year of the Dawes Plan.

This provision is only to be drawn upon as and to the extent required, and in the event of the Governments deciding upon any modification of the functions of the commission a fresh estimate of its expenditure shall be at once drawn up.

At the end of every three months the Conference of Ambassadors will transmit to the Reparation Commission a certified statement of the expenditure incurred by the Inter-Allied Commission of Control.

A similar statement covering the expenditure of the first Dawes year will be transmitted to the Reparation Commission as soon as possible after the 31st August, 1925.

This figure does not include the commission's expenses in national currencies, which shall continue to be paid by the Governments concerned, the amounts so paid being credited to their respective accounts by the Reparation Commission.

Any savings at the end of the year will be paid into the common reparation fund for distribution in accordance with the provisions of the Financial Agreement of the 14th January, 1925, to the Powers having the right under that Agreement to participate in the receipts from Germany on account of the Dawes Annuities available for distribution as reparations.

The present Agreement, done in English and French in a single copy, will be deposited in the archives of the Government of the French Republic, which will supply certified copies thereof to each of the Signatory Powers.

In the interpretation of this Agreement, the English and French texts shall be both authentic.

PARIS, *September 21, 1925.*

MAUCLÈRE
 ROBERT PERIER
 RALPH W. S. HILL
 BASIL KEMBALL COOK
 CORSI
 SHIZUO YAMAJI
 L. M. DE SOUZA DANTAS
 LÉON V. MELAS
 J. MROZOWSKI
 J. BARRETO
 AL. ZEUCEANU
 DR. PLOJ
 STEFAN OSUSKY

**RETURN OF THE D. A. P. G. TANKER CASE TO THE ARBITRATORS
 FOR A MAJORITY DECISION³⁹**

362.115 St 21/362 : Telegram

The Secretary of State to the Ambassador in Great Britain (Kellogg)

[Paraphrase]

WASHINGTON, *January 28, 1925—5 p. m.*

49. Referring to Department's 398 of November 8,⁴⁰ Standard Oil Company has again brought to attention of Department the matter of your endeavoring to persuade British Government to instruct Bradbury to vote for a compromise on tanker question. Logan⁴¹ informs Department that you are now endeavoring to obtain agreement of

³⁹ For previous correspondence concerning disposal of D. A. P. G. tank ships, see *Foreign Relations*, 1924, vol. II, pp. 156 ff.

⁴⁰ *Ibid.*, p. 169.

⁴¹ James A. Logan, Jr., American unofficial representative on the Reparation Commission.

British Government before January 30 meeting of Reparation Commission. You may continue to assist the company in such ways as are possible and proper in the present circumstances. Logan has been so informed.

HUGHES

362.115 St 21/362½

The Chargé in Great Britain (Sterling) to the Secretary of State

No. 1084

LONDON, *February 26, 1925.*

[Received March 13.]

SIR: In accordance with the Embassy's telegram No. 83 February 26, 5 p. m., 1925,⁴² I have the honor to enclose a copy, in triplicate, of the note mentioned therein from Mr. Chamberlain, dated February 25, 1925, concerning the Tanker case.

A copy of this note has been forwarded to Mr. Logan, and the solicitor of the Standard Oil Company in London, Mr. Piesse, has been informed of its contents.

I have [etc.]

F. A. STERLING

[Enclosure]

The British Secretary of State for Foreign Affairs (Chamberlain) to the American Chargé (Sterling)

No. C 2191/651/18

[LONDON,] *25 February, 1925.*

SIR: In conversation on February 2nd, His Excellency the United States Ambassador drew my attention to the interest of the Standard Oil Company in certain tank steamers of the Deutsche Amerikanische Petroleum Gesellschaft, which had been handed over by the German Government to the Reparation Commission in execution of the Treaty of Versailles.

2. I understand the essential facts of this question to be as follows. The point originally at issue was whether or not the tank steamers in question were properly deliverable by Germany under the provisions of Part VIII of the Treaty of Versailles. It was claimed by the Standard Oil Company that the vessels were in effect their property and not deliverable. The case was one which it was within the power of the Reparation Commission to decide judicially and such a decision would be valid against all parties. Out of consideration for the United States Government the Reparation Commission refrained from proceeding to such a decision but consented to an arrangement, embodied in an agreement with the United States Government signed

⁴² Not printed.

on June 7th, 1920,⁴³ under which the matter was referred to two arbitrators, one representing the Reparation Commission and the other the United States Government, with the provision that a third disinterested person should be nominated to join the Tribunal in the event of the disagreement between its original members. If the third arbitrator were called in, the decision of the majority of the Tribunal was to be final. On June 28th, 1924, the two arbitrators reported⁴⁴ that they were unable to reach agreement on the legal questions involved, but without calling in the third arbitrator as provided by the agreement of June 7th, 1920, they suggested to the Reparation Commission a compromise which in outline was that the vessels should be sold and the proceeds divided equally between the Deutsche Amerikanische Petroleum Gesellschaft and the Reparation Commission as representing the Allied and Associated Powers, the German Government obtaining credit for only one half of the total value of the tankers.

3. The request made to me by Mr. Kellogg on February 2nd was that I should draw the attention of the Chancellor of the Exchequer to the subject in the hope that the Chancellor would be willing to instruct the British representative on the Reparation Commission to accept the compromise suggested by the arbitrators in preference to calling in the third arbitrator as contemplated in the agreement of June 7th, 1920.

4. I lost no time in conveying Mr. Kellogg's request to the Chancellor of the Exchequer who had already received a copy of the memorandum on the subject dated January 27th [28th?] which had been communicated to my department by a member of the United States Embassy.⁴⁵

5. The question has now been fully considered and I have the honour to inform you that in a matter in which the Reparation Commission acts in a judicial capacity His Majesty's Government have not the power and would not consider it proper to give any instructions to the British member of the Commission. But apart from this question of principle involved, the view of His Majesty's Government is that the Reparation Commission would not be justified in now agreeing to the suggested compromise. This could, in fact, only be accepted by an agreement between all the interested parties who comprise not only the Reparation Commission, as generally representing the Powers entitled to reparation, and the Standard

⁴³ *Foreign Relations*, 1920, vol. II, p. 598.

⁴⁴ *Ibid.*, 1924, vol. II, p. 161.

⁴⁵ By telegram No. 44, Jan. 29, 11 a. m., the Ambassador informed the Secretary that he had, on the previous day, delivered a memorandum to the Foreign Office covering the Department's views and requesting reconsideration of the subject.

Oil Company and its German subsidiary, but also the German Government, whose interests are affected, and the British Government, which under the existing interallied arrangement is entitled to the tankers themselves if they are deliverable.

6. There is indeed grave objection in principle to departing from the arbitral procedure formally agreed upon which in itself constituted a compromise assented to as an act of courtesy to the United States Government. Procedure by arbitration is likely to prove a matter of great practical importance on numerous occasions arising out of the Dawes plan and of interallied agreements; and if in such cases agreed procedure is to be modified *ex post facto* to suit the convenience of one of the parties to the case the whole method may easily be brought into disrepute.

7. His Majesty's Government trust that the United States Government will recognise the force of these considerations and will allow the arbitration now to take its course. No excessive delay need be anticipated and, as the case has already occupied several years, no serious inconvenience can reasonably be held to be involved by a further short delay in order to obtain the independent and impartial judicial decision which the parties have engaged themselves to accept.

I have [etc.]

AUSTEN CHAMBERLAIN

362.115 St 21/374 : Telegram

The Secretary of State to the Ambassador in France (Herrick)

WASHINGTON, *March 31, 1925*—1 p. m.

141. L-234 for Hill.⁴⁶ Your L-371.⁴⁷ Department considers that tanker case should now be permitted to go back to arbitrators for majority decision. Standard Oil Company indicates it is in accord with this view provided Sjoeborg⁴⁸ is to be third arbitrator as already agreed. Company expresses view that if Sjoeborg is unable to serve this Government should have voice in selecting arbitrator to serve in his place. It is noted that Reparation Commission in designating members to serve on Independent Tribunal with approval of American observer provided in its decision No. 1577 that the two arbitrators should name a disinterested person to serve in event that Lyon and Bayne⁴⁹ failed to agree upon a decision. It is

⁴⁶ Ralph Waldo Snowden Hill, American acting unofficial representative on the Reparation Commission.

⁴⁷ Not printed.

⁴⁸ Dr. Erik Sjoeborg, Swedish lawyer, Stockholm.

⁴⁹ Jacques Lyon and Col. Hugh A. Bayne, members of the independent tribunal for the Reparation Commission.

assumed that if Sjoeborg cannot serve Lyon and Bayne will appoint member to serve in his place, in which event Bayne should first consult Department through you.

KELLOGG

362.115 St 21/383

The Secretary of State to the Associate General Counsel of the Standard Oil Company (Wellman)

WASHINGTON, July 2, 1925.

SIR: I am in receipt of your letter of June 3, 1925,⁵⁰ in regard to the Ex-D. A. P. G. Tankers. You state that the arbitration in this case was held under the arbitral agreement as amended, made at Paris by the Reparation Commission and the United States Government represented by Mr. Boyden, that when the case was submitted to the arbitrators the Standard Oil Company was represented by Mr. Montagu Piesse, who had been thoroughly in touch with the discussions leading up to the Tanker Agreement, and that the immediate question which you desire to have the Department consider is whether or not the United States Government shall be represented by counsel on the proposed submission of the Tanker case to the arbitrators when the third arbitrator is called in because of the disagreement of the two arbitrators who have heard the case.

This case was not referred to arbitration through a direct formal agreement between the United States and another foreign power, nor did the United States designate counsel to conduct the case before the arbitrators. The Department does not consider that it would be appropriate for it to designate counsel at this stage of the proceedings to serve with counsel for the Standard Oil Company in presenting the case to the tribunal constituted under the arbitral agreement when the third arbitrator is called in because of the disagreement of the two arbitrators before whom the case has been argued. It may be observed in this connection that in view of the apparent disagreement of the two arbitrators on the question whether the Standard Oil Company has failed to make good its claim to beneficial ownership of the tankers, it would seem that the decision will, in effect, rest with the third arbitrator upon a consideration of the facts and arguments already presented to the two arbitrators by counsel for the Reparation Commission and by counsel for the Standard Oil Company, and that no material advantage would in any event be derived from having counsel designated by the United States take up the case *de novo*.

⁵⁰ Not printed.

Mr. Ralph Hill, who is familiar with the issues involved in the Tanker case, is, as you are aware, now Acting American Observer with the Reparation Commission and is keeping in touch with developments in the Tanker case. Mr. Hill will doubtless render to counsel for the Standard Oil Company all proper assistance short of acting as counsel for this Government, in presenting the case of the Standard Oil Company to the third arbitrator.

For your information it may be stated that the Department is in receipt of a telegram from Mr. Hill⁵¹ in which he states that he has been endeavoring, through Mr. Bayne, but without success, to ascertain whether Mr. Sjoeborg will be in a position to serve as the third arbitrator. Mr. Hill added that he would see that the Department and your company are consulted in regard to the selection of the third arbitrator in the event that Mr. Sjoeborg cannot serve.

With reference to the inquiry contained in your letter under acknowledgment as to whether the arbitrators have filed their respective formal decisions in this case, it may be stated that the Department appears to have received no definite information as to what action the arbitrators may have taken after it became apparent that the case would probably be referred to the third arbitrator. However, Mr. Hill has been requested to submit a report on this point and upon the receipt of his reply the Department will communicate with you again.

I am [etc.]

FRANK B. KELLOGG

362.115 St 21/384

The Assistant Secretary of State (Harrison) to the Unofficial Representative on the Reparation Commission (Hill)

WASHINGTON, July 25, 1925.

MY DEAR MR. HILL: With further reference to the desire of the Standard Oil Company to have this Government designate counsel to serve with counsel for the Standard Oil Company in presenting the Ex-D. A. P. G. Tanker case to the third arbitrator, the Department encloses for your information a copy of a letter, dated July 3, 1925, from Mr. Guy Wellman, Associate General Counsel, Standard Oil Company,⁵¹ indicating the desire of that company to have the Department reconsider its decision not to designate counsel to serve with counsel for the Standard Oil Company in this case. A copy of the Department's reply, declining to modify its position in this matter, is also enclosed for your information.⁵¹

In this relation the Department deems it advisable to indicate to you the extent to which you may render assistance in the presentation of

⁵¹ Not printed.

the case of the Standard Oil Company to the Arbitral Tribunal when the third arbitrator is called in. The Department desires that you perform such duties in this case as were performed by Mr. Logan as American Observer. It is understood that these duties were in the main as follows:—Since the case of the Standard Oil Company was nominally presented on behalf of the United States it was understood that the American Observer had authority to place before the arbitrators any briefs or documents prepared by counsel for the Standard Oil Company in support of the contentions of the Company, and that the American Observer was authorized to act as the spokesman of this Government in any communications regarding the case which he was authorized by the Department to submit to the Reparation Commission.

The American Observer also had authority from the Department to confer freely with the American arbitrator concerning the progress of the case and was encouraged to submit full reports to the Department in regard to developments in connection with the arbitration. You are authorized to take similar action.

The Department considers that you should avoid becoming interested in the case to such an extent as may give rise to the assumption that you are in effect acting as counsel for this Government in the presentation of the case. However, in view of your familiarity with the Department's attitude in this matter and your knowledge of the extent to which the Department has assisted the Standard Oil Company in its efforts to have the case fully presented to the Arbitral Tribunal, you may, in addition to your duties in the case as Acting American Observer, render to counsel for the Standard Oil Company such assistance as may be possible and proper with a view to having the company accorded a full opportunity to present its case to the arbitrators.

I am [etc.]

LELAND HARRISON

362.115 St 21/391

The Assistant Secretary of State (Wright) to the Unofficial Representative on the Reparation Commission (Hill)

WASHINGTON, September 23, 1925.

MY DEAR MR. HILL: The Department has received your letter of August 25, 1925, in further relation to the D. A. P. G. Tanker case.⁵² It concurs with you in your opinion that Mr. Sjoeborg must be considered, in view of the wording of paragraph 3 of Decision 1577 of October 14 [13^d], 1921, of the Reparation Commission, quoted in your letter under acknowledgment, as a member of the Tribunal, rather than as an umpire—and that the interested parties should be permitted, after the third member has joined the Tribunal, to file addi-

⁵² Not printed.

tional briefs and present oral arguments before the Tribunal thus reconstituted. The Department perceives no objection to your addressing a joint communication to the three arbitrators, requesting that an opportunity be given to the Standard Oil Company to submit, if it so desires, additional briefs or to present oral arguments to the Tribunal as now constituted.

As you accurately state, it is obvious that the arbitrators are vested with authority to construe paragraph 20 of Annex II of Part VIII of the Treaty of Versailles, and that their decision in the matter is apparently binding. In view of this fact, the Department does not deem it necessary at this time to determine the scope of the paragraph in question.

The Department does not consider, however, that it should undertake to advise the Standard Oil Company in regard to the competence of any attorney it may decide to retain to represent its interest in this matter. While the Department desires you to lend the Standard Oil Company every proper assistance in order that it may be assured a fair hearing in this controversy, and perceives no objection to your action in informally drawing the attention of Colonel Bayne and of the Standard Oil Company's representative to pertinent decisions and agreements which may have a bearing on the case, it considers, however, that the responsibility for the actual prosecution of the case must rest with the Standard Oil Company. The Department's refusal to appoint an attorney to take part in the proceedings in this case clearly indicates that it does not wish to assume any responsibility for the actual presentation of this case before the Tribunal. In view of the foregoing considerations, the Department does not deem it advisable to make any suggestions to the Standard Oil Company concerning the employment of additional counsel by that company.

I am [etc.]

J. BUTLER WRIGHT

POLICY OF THE DEPARTMENT OF STATE REGARDING AMERICAN BANKERS' LOANS TO GERMAN STATES AND MUNICIPALITIES

862.51/2039

The Ambassador in Germany (Schurman) to the Secretary of State

No. 295

BERLIN, *September 15, 1925.*

[Received October 1.]

SIR: In connection with previous reports from this Embassy concerning the placing of American loans in Germany, I have the honor

to call particular attention to the Department's telegram No. 170, dated September 2, 6 p. m.⁵⁴

As set out in my telegram No. 156, dated September 5, 5 p. m.,⁵⁵ the German authorities have stated that the German Government is opposed to the indiscriminate contraction of loans by German municipalities, but that otherwise the press report of September 2 was incorrect. I added, for the Department's confidential information, that a group of municipalities, advocating the policy indicated, had approached the representatives of the National City Bank here in an endeavor to secure loans, but that the bank had refused to consider their proposition.

I have discussed this matter with a number of the higher German officials and many of the leading industrialists and financiers, (see my despatch No. 147, of August 6, 1925),⁵⁵ and their opinion, without exception, has been that, if American capitalists continue granting considerable loans to German municipalities, the result will be disastrous for the future of German Economy and will eventually lead to interference, on the part of the Transfer Committee, with the Transfer out of Germany of the interest charges involved. The Government has attempted to put a curb on the borrowings; but, on account of a lack of a dependable majority in the Reichstag, the German Cabinet must play more than the usual amount of politics and is not always able to take a firm stand under the provisions of the law which requires that municipalities must receive the previous authorization of the Government before contracting loans (An additional step in this direction has recently been taken by the Prussian Government: See my despatch No. 251 of September 4⁵⁵).

It is fully realized by German business men that, if reparations are to be paid and interest charges on loans now being contracted are to be met, it is necessary to take steps, without more delay, to bring about a change in the status of Germany's balance of trade. To do this, it is obviously necessary to build up German agriculture and German industry; and it is extremely difficult to build them up at this juncture on account of high interest rates prevailing as a result of a lack of liquid capital (not to mention other well-known difficulties, growing out of the application of the Treaty of Versailles, so frequently described in the international press by Germans and German partisans). With this in mind, these men of business say that the only thing that can save them is the ability to borrow abroad (and abroad,

⁵⁴ The telegram reads as follows: "Press September 2 reports that German Government has adopted policy that municipalities will not contract any more individual loans but will unite to seek consolidated loans to be apportioned as required. Telegraph brief report and mail details."

⁵⁵ Not printed.

of course, means America). They feel that they, and not the greedy municipalities, should have first call on all money loaned to Germany.

I take it for granted that American concerns which lend money here desire to be eventually repaid, and for this reason I am taking special occasion to ask consideration of the whole question. There are two points of view about lending money to Germany. One is that German industry, commerce, agriculture and finance are in a hopeless condition; reparations will never be paid; money loaned to Germany is thrown away. The second is this: it is a fact that economic conditions in Germany are not good at present, but they can be improved by letting Germany have enough money in the shape of loans to enable her to get back on her feet again. Once she is back on her feet again economically, she will find the necessary markets for her exports and be able to pay reparations and repay the money she has borrowed. The recent loan made by the National City Bank to the Rentenbank, for agricultural purposes, is a case in point. (See my telegram No. 159, dated September 14, 3 p. m.⁵⁷)

It does seem clear that the first essential is for agriculture, and, after agriculture, industry, to be given a chance; and they will get the chance if they are able to borrow moderate sums abroad; but it is essential to bear in mind that they should not be permitted to borrow more than they can repay, and each application should certainly be scrutinized most carefully as to its merits.

With these factors in mind, I believe that the demands of the municipalities should be relegated to the background; and I have come to the conclusion that we can do no better service to Germany and to ourselves than to discourage the further placing of German municipal loans in America.

I have [etc.]

JACOB GOULD SCHURMAN

862.51/2060

The Ambassador in Germany (Schurman) to the Secretary of State

No. 329

BERLIN, *September 23, 1925.*

[Received October 16.]

SIR: Concerning the efforts of German municipalities to borrow money in the United States, and especially to the last sentence of my telegram No. 156, dated September 5, 5 p. m.,⁵⁷ I have the honor to transmit herewith an original copy of a pamphlet recently prepared by the Transfer Committee and entitled: "The American Loan of the Rentenbank Credit Institution and the Negotiations of the Girozentrale", and to refer to the second section of that document.

⁵⁷ Not printed.

As is therein set out, it is no secret that the Girozentrale, which is the Bank of the Deutscher Sparkassen und Giroverband, has been in negotiations with the National City Bank for some months past with a view to floating a loan in America, the proceeds of which would be apportioned among certain Communes in Germany. According to the press, the National City Bank had expressed its readiness in principle to place this loan, but, before doing so, was anxious to know what the attitude of the American market would be to the loan of the Credit Institution of the Rentenbank.

At the same time, I desire to ask attention to press reports here, which describe the successful floating in New York of a recent loan of about ten million dollars to the City of Bremen and which, according to the evening edition of the *Boersen Courier* of September 23rd, was oversubscribed. The same journal contained the following statement in connection with the placing of further loans to the United States:

"In view of the success of the Bremen loan in New York, it is probable that a Bavarian State loan of about 25 million dollars will be floated. It is said that a syndicate composed of the Guaranty Trust Company, et al., will offer this loan on about October 1, 1925. It is further stated that an American banking group will arrange a loan of five million dollars for the city of Posen (now Poland)."

With the situation as described in my confidential despatch No. 295, dated September 15, 1925, in mind, I have the honor again respectfully to emphasize the inherent dangers of this policy, and again to point out that American financiers are running risks that do not seem to me to be justified, in advancing these large amounts to German municipalities. I am told that the reason why the bankers are ready to handle municipal and state loans is that these bonds find a more receptive market in the United States than do bonds of industrial or commercial concerns. The reason for this lies in the fact that the municipalities and states, in most instances, can advertise the fact that, as a result of inflation, they have wiped out practically all, or nearly all, of their indebtedness. (They, of course, do not mention that this was a species of repudiation).

While I realize that the factor just mentioned would unquestionably add to the attractiveness of an issue, I still believe that the other factors involved (those set out with my despatch No. 295), are of much more serious import, and therefore I desire again to go on record as discountenancing the granting of loans by American capitalists to German Communes and Communal associations.

I have [etc.]

JACOB GOULD SCHURMAN

862.51/2061

The Ambassador in Germany (Schurman) to the Secretary of State

No. 344

BERLIN, *September 29, 1925.*

[Received October 16.]

SIR: Referring to my confidential despatches Nos. 295, of September 15, and 329, of September 23, 1925, on the Credit Question, I have the honor to say that I desire again to go on record as issuing a warning on the present policy of American financiers in lending money in Germany. The *Vossische Zeitung* of this morning states that the Bavarian loan was oversubscribed shortly after it was offered on the New York Stock Exchange. This loan, of course, belonged to the class that is being so roundly denounced by leading Germans.

This whole question was recently fully discussed at the Bankers' Annual Congress, where the opinion was expressed, on all sides, that "foreign loans should be avoided as far as possible and should be contracted only when they will speedily and directly increase national production, and, in particular, increase the production of goods that are sure of an export market, so enabling interest and principal to be paid."

It is a commentary upon present conditions that representatives of American financial interests here in Berlin have actually been competing against each other in an effort to get some of the loans recently contracted.

I have [etc.]

JACOB GOULD SCHURMAN

862.51/2057 : Telegram

*The Ambassador in Germany (Schurman) to the Secretary of State*BERLIN, *October 16, 1925—7 p. m.*

[Received October 16—7 p. m.]

173. From Gilbert⁵⁹ for your information. I have been receiving repeated inquiries within the past few days from representatives of American banking houses as to the attitude of the Transfer Committee toward service of the German loans floated in the United States. Practically all these inquiries have duplicated inquiries on the same point which were made nearly a year ago and one banker has said that occasion for renewed inquiry was that the Department of State had advised his New York office to make such inquiries of the agent general for reparation payments. He said further that State Department has included advice to this effect in its formal

⁵⁹ S. Parker Gilbert, agent general for reparation payments.

letters to bankers indicating Department's attitude toward several recent German loans. If the Department is in fact giving this advice to bankers I should very much appreciate sample testimonial by cable. Our consistent answer to all such inquiries from the beginning of operations under the experts' plan⁶⁰ has been that neither agent general nor the Transfer Committee can give any assurances whatever with respect to the service of loans which is [*are*] floated abroad by German states or municipalities or industrial or other undertakings, and bankers and others interested have been referred to the experts' plan and the London Agreement⁶¹ for a statement of the powers and responsibilities of the agent general and the Transfer Committee in respect to the foreign exchange and the transfer of reparation payments. There has been no change in the situation so far as the Transfer Committee is concerned and its attitude in the matter remains unchanged.

SCHURMAN

862.51/2057 : Telegram

The Secretary of State to the Ambassador in Germany (Schurman)

WASHINGTON, October 17, 1925—7 p. m.

184. Your 173, October 16, 7 p. m., regarding German loans. The Department is replying as follows to American bankers consulting it regarding proposed flotation of German loans in American market, and you may so inform Gilbert:

"Since the flotation of the German external loan provided for by the Dawes plan,⁶⁰ offerings of German loans in the American market have aggregated, according to the information before this Department, more than \$150,000,000, and it appears that a considerable volume of additional German financing is now in contemplation. In addition to the public offerings referred to above, the Department is informed that a large amount of private bank and commercial credits has been extended to German interests during the past year.

"In these circumstances the Department believes that American bankers should examine with particular care all German financing that is brought to their attention, with a view to ascertaining whether the loan proceeds are to be used for productive and self-supporting objects that will improve, directly or indirectly, the economic condition of Germany and tend to aid that country in meeting its financial obligations at home and abroad. In this connection I feel that I should inform you that the Department is advised that the German Federal authorities themselves are not disposed to view with favor the

⁶⁰ The Reparation Commission, *The Experts' Plan for Reparation Payments* (Paris, 1926), p. 2.

⁶¹ *Ibid.*, p. 130.

indiscriminate placing of German loans in the American market, particularly when the borrowers are German municipalities and the purposes are not productive.

"Moreover it cannot be said at this time that serious complications in connection with interest and amortization payments by German borrowers may not arise from possible future action by the Agent General and the Transfer Committee. While the Department of State does not wish to be understood as passing upon the interpretation or application of the provisions of the Dawes Plan, or upon their effect, if any, upon loans such as the one now under consideration by you, it desires to point out that there is no clear indication of what the attitude of the Agent General and the Transfer Committee would be towards such loans in the event of a scarcity of available foreign exchange embarrassing their operations in effecting the transfers necessary to the execution of the Dawes Plan. It seems to the Department, therefore, that before issuing such loans you should inform yourselves whether the Transfer Committee will place any priorities or obstacles in the way of transferring funds for the payment of principal and interest and that you should make clear to your clients the full situation.

"These risks, which obviously concern the investing public, should in the opinion of the Department be cleared up by you before any action is taken. If they cannot be definitely eliminated, the Department believes that you should consider whether you do not owe a duty to your prospective clients fully to advise them of the situation.

"While the foregoing considerations involve questions of business risk, and while the Department does not in any case pass upon the merits of foreign loans as business propositions, it is unwilling, in view of the uncertainties of the situation, to allow the matter to pass without calling the foregoing considerations to your attention. In reply to your inquiry, however, I beg to state that there appear to be no questions of government policy involved which would justify the Department in offering objection to the loan in question."

When loan is to or guaranteed by a German State reference is also made to Article 248 of the Treaty of Versailles.⁶³

KELLOGG

862.51/2097

The Ambassador in Germany (Schurman) to the Secretary of State

No. 409

BERLIN, October 23, 1925.

[Received November 9.]

SIR: I have the honor to report that a conference on the general financial situation in Germany took place at the Commonwealth Ministry of Finance in Berlin, on the 20th instant, between the representatives of the various state governments, municipalities and other governmental organizations. It is stated that the Commonwealth Minister of Finance urged the states and municipalities to observe the

⁶³ Malloy, *Treaties, 1910-1923*, vol. III, pp. 3329, 3439.

greatest economy, and that the Vice President of the Reichsbank supported the policy of Dr. Schacht, President of the Reichsbank (now in the United States), by opposing the constantly increasing demands of municipalities for foreign loans.

The following communiqué was issued by the Commonwealth Ministry of Finance after the termination of the Conference:

“The Advisory Board for foreign credits, which has been formed at the Ministry of Finance and which must pass upon the foreign credits of the communes, points out that thus far loans have been issued in the United States of America with the consent of the Advisory Board only to the cities of Berlin, Cologne and Munich. Lately, various applications of other communes have been submitted to the Advisory Board by the competent State Governments. The Advisory Board will, however, examine every case as to the absolute necessity and usefulness of such loans. The Advisory Board takes the attitude that only in very exceptional cases will it be possible to prove the productivity of foreign loans sought by cities, and it is of the opinion that, in all cases where this is not possible, foreign credits should not be granted to German cities, because of considerations for the protection of the German currency. The curtailment of funds available for German economy by loans made to cities must also be prevented, for it seems much more urgent to provide industry and agriculture with foreign credits, so far as they can be utilized to favor exports or indirectly to diminish imports, than to make funds available to communes for purposes which, though valuable as such, may be set aside for a later time.”

This unfavorable attitude of the Advisory Board toward foreign loans to German municipalities because of doubt as to the productivity of such loans, and out of consideration for the protection of the German currency, is especially interesting in connection with the Department's telegram No. 184 of October 17, 7 p. m., quoting the reply which the Department is making to American bankers who consult it regarding the proposed flotation of German loans in America.

I have [etc.]

JACOB GOULD SCHURMAN

862.51/2088 : Telegram

The Ambassador in Germany (Schurman) to the Secretary of State

BERLIN, October 29, 1925—3 p. m.

[Received 4 p. m.]

188. From Gilbert. Reference Department's 184 of October 17th.

“Have received from Ambassador October 19th copy of your telegram quoting specimen letter used by Department in addressing bankers interested in German loans. Should appreciate word as to whether Department is still using this form of letter. Am receiv-

ing continued inquiries here from representatives of American banking houses most of whom interpret Department's letter as designed to discourage all German loans whether productive or unproductive. Am replying to all inquiries that State Department has been informed of Transfer Committee's position and that position remains unchanged."

SCHURMAN

862.51/2089 : Telegram

The Secretary of State to the Ambassador in Germany (Schurman)

WASHINGTON, October 31, 1925—5 p. m.

193. (1) Your 188, October 29, 3 P. M. You may inform Gilbert as follows:

"Department is still using the form of letter contained in Department's 184, October 17, 7 p. m. Department has noted views of Transfer Committee as informally indicated in reports received last winter from Logan and more recently from Hill,⁶⁴ and in your message forwarded October 16 through the Embassy.⁶⁵ Department also has noted views expressed in Sterrett's letter October 23,⁶⁶ 'that it was not considered either necessary or desirable for the Transfer Committee to attempt to forecast action which might be taken by it at a future time under conditions and circumstances now unknown.' In bringing this matter to the attention of American bankers, the Department of course does not in any way pass upon the interpretation or application of the provisions of the Dawes plan or upon their effect, if any, upon such loans and is so indicating in its letters to the bankers."

(2) For your guidance. Department does not wish to appear to enter into controversy with Gilbert on this matter.

(3) Your 189, October 30, 11 A. M.⁶⁷ In the foregoing circumstances I feel that the situation remains substantially the same and do not feel justified in changing the Department's letter at this time.

(4) For your information. Department has learned from Schacht that there is a likelihood that stricter control will be exercised by the German Government with respect to loans. If this is done it will remove one element of uncertainty. Telegraph any significant developments.

KELLOGG

⁶⁴ Ralph Waldo Snowden Hill had succeeded James A. Logan, Jr., as American unofficial representative on the Reparation Commission.

⁶⁵ *Ante*, p. 176.

⁶⁶ Letter from Joseph Edmond Sterrett, American member of the Transfer Committee; not printed.

⁶⁷ Not printed.

862.51/2089 : Telegram

The Secretary of State to the Ambassador in Germany (Schurman)

[Paraphrase]

WASHINGTON, *November 6, 1925—1 p. m.*

195. Fourth paragraph, Department's telegram No. 193, October 31, 5 p. m. The Department does not wish to have you make any specific inquiries but would like to receive such information as you may be able to obtain discreetly as to the instituting by the German Government of a stricter control over loans from abroad.

KELLOGG

862.51/2107a : Telegram

The Secretary of State to the Ambassador in Germany (Schurman)

[Paraphrase]

WASHINGTON, *November 11, 1925—6 p. m.*

196. Our No. 193, October 31, 5 p. m., fourth paragraph, and No. 195, November 6, 1 p. m. Your despatches Nos. 409 and 415 of October 23.⁶⁸

1. Reports from Berlin in today's papers refer to statement by Gilbert to press correspondents with respect to attitude of Transfer Committee regarding German loans. Department wishes you to telegraph as soon as possible substance of Gilbert's statement.

2. Communiqué quoted on second page of your despatch No. 409, October 23, indicates that it will be the policy of the Advisory Board to give its consent only for a few loans of the most productive character. The communiqué quoted states that loans to Berlin, Cologne, and Munich were the only ones approved. In addition to these loans, however, there have been floated in this country loans to Dusseldorf and to the joint cities of Wurtemberg. Make a discreet investigation and report by telegraph whether Advisory Board approved these loans. The Department has also been consulted with respect to loans to the municipal bank of Hessen and also to Altona, Frankfort on the Main, Nuremberg and Stuttgart. Has approval been given to these or to any other loans?

3. The Department has also been consulted with respect to a further loan to Bremen and one to the State of Oldenburg, and also to certain enterprises which German States have guaranteed. Does the Advisory Board have jurisdiction with respect to foreign loans by the states as well as by municipalities?

⁶⁸ Despatch No. 415 not printed.

4. Does the Advisory Board have jurisdiction with respect to German industrial loans?

5. Herring's report in your despatch No. 415,⁶⁹ indicating that there is in prospect much more municipal financing, has been noted by the Department. As Herring's report is dated October 19, it is prior to the public statement quoted in your despatch No. 409, October 23. Department would appreciate receiving any information which you can discreetly obtain with respect to the policy which the Advisory Board will follow, as well as your views as to whether the Advisory Board or any other German agency is likely to be able to control German borrowing from abroad.

Department wishes telegraphic reply as soon as possible.

KELLOGG

862.51/2108 : Telegram

The Ambassador in Germany (Schurman) to the Secretary of State

BERLIN, November 13, 1925—4 p. m.

[Received 4:30 p. m.]

194. First question Department's 196 November 11, 6 p. m. Gilbert says that in response to insistent request from *Chicago Daily News* correspondent here he made the following statement to him:

"The Transfer Committee has consistently told American bankers from the beginning of operations under the Dawes Plan that it was not in a position to give assurances concerning the payment of interest or amortization on German loans that might be floated abroad. This position has not changed. American bankers who have inquired have been referred to the experts' plan and the London Agreement for a statement of the powers and responsibilities of the Transfer Committee and I believe that American bankers interested in German loans fully understand the Committee's position."

If there are any additional comments in the article they are personal opinions of that correspondent.

SCHURMAN

862.51/2109 : Telegram

The Ambassador in Germany (Schurman) to the Secretary of State

BERLIN, November 14, 1925—1 p. m.

[Received November 14—12:30 p. m.]

196. Department's telegram number 196, November 11, 6 p. m. Question 2: Acting Chief, Advisory Board, stated yesterday that since public statement quoted in my despatch 408 [409]⁷⁰ following loans have been approved by Board: Bremen, Düsseldorf, group of Wur-

⁶⁹ Not printed. Charles E. Herring was commercial attaché at Berlin.

⁷⁰ *Ante*, p. 178.

temberg cities including Stuttgart, Frankfort am Main, Nuremberg, State of Oldenburg; and definite approval imminent for a few others now pending. Question 3: Board has jurisdiction as to foreign financing by states as well as communes. Question 4: The Board does not have jurisdiction over industrial loans.

[Paraphrase]

For reasons explained in my despatch 295, September 15, very effective control cannot be exerted by Advisory Board over loans to municipalities. It is stated by the Acting Chief of the Advisory Board that it would be necessary to amend the constitution in order to make control by the board effective, as the various states can at any time withdraw their consent to be represented on the board. It is not my impression as matters now stand that the Advisory Board or any other German agency will be in a position in the long run to control effectively the obtaining of loans from abroad.

Please inform Department of Commerce.

SCHURMAN

862.51/2141

The Assistant Secretary of State (Harrison) to the Secretary of State

[WASHINGTON,] *November 19, 1925.*

DEAR MR. SECRETARY: The situation with respect to the general subject of German loans seems to be as follows:

Prior to October 9th, it was the practice of the Department to suggest that American bankers assure themselves that the financing in question would increase the productivity of Germany, and to call their attention to the provisions of the Dawes Plan, and, when necessary, to the provisions of Article 248 of the Treaty of Versailles. Subject to the foregoing, and in the light of the information at hand, the Department then stated that it offered no objection to the financing in question. The Department also used the customary formula in pointing out that it did not pass upon business risks or assume any responsibility.

From October 9th, the Department has been using the new formula ⁷¹ which brought about objections on the part of the bankers, and a revision of which is now under consideration.

You will recall the statements made by Dr. Schacht and the claim that a new situation has been brought about by a change in the policy of the German Government. However, after repeated inquiries by cable to the American Embassy at Berlin, the most that

⁷¹ See telegram No. 184, Oct. 17, 7 p. m., to the Ambassador in Germany, p. 177.

can be said is that about October 21st a public announcement was made by the Advisory Board that it would take a stiffer attitude with regard to municipal, commune, and state financing, and, according to our information, the Board has done no more than to reduce somewhat the amount of proposed municipal and state financing.

Recently, Mr. Gilbert made public a statement of the attitude of the Agent General and the Transfer Committee with regard to the question of transfers.

From the foregoing, it will be seen that there has been little, if any, actual change in the situation since October 9th which in itself would justify us in modifying the formula which has been used since that date.

In accordance with your instructions I have discussed the matter informally with Mr. Winston,⁷² and I gather that as a matter of policy he does not wish to prevent German financing but merely, in stating that there is no question of Government policy involved which would justify us in making objection, to call the attention of the bankers to the question of productivity, difficulty of transfer, and, when necessary, Article 248. I attach a rough draft of a formula which he has sent me.⁷³

I have not yet ascertained what position Mr. Hoover is likely to take since the receipt of the last report from Mr. Schurman, a copy of which was sent to him.

So far as I can see, the reasons which led the Department to adopt the formula of October 9th and since that time, have not been modified in any substantial degree. It would not appear to be wise, therefore, to depart in any great measure from the position taken in the formula of October 9th except as to the change in the situation brought about by Mr. Gilbert's public statement.

I beg, therefore, to submit a revised formula for your approval.⁷³

L[ELAND] H[ARRISON]

862.51/2122b

*The Secretary of State to the Secretary of the Treasury (Mellon)*⁷⁴

[WASHINGTON,] November 20, 1925.

MY DEAR MR. SECRETARY: I have examined with considerable care the proposed letter to be sent out to bankers suggested by Mr.

⁷² Garrard B. Winston, Under Secretary of the Treasury.

⁷³ Not found in Department files.

⁷⁴ A similar letter was addressed on the same date to Herbert Hoover, Secretary of Commerce. Mr. Arthur N. Young, Economic Adviser to the Department of State, took these letters personally to Mr. Mellon and Mr. Hoover and discussed with them and with Mr. Winston, the Under Secretary of the Treasury, the proposed form for letters to interested bankers. For a sample of the revised letter to bankers, see letter to Harris, Forbes & Co., November 21, *infra*.

Winston with some changes suggested by Mr. Hoover.⁷⁵ It seems to me that, having deliberately adopted the form of letter which has been sent to all the bankers, we ought not to depart from it any more than is made necessary by changed conditions, because I am sure the matter is bound to come up in Congress and that we would then be asked why we had entirely changed the form of our letter.

I am enclosing a copy of the original form of letter which we have been sending out, in which the proposed changes and additions are underscored and the omissions put in brackets.⁷⁶

There is one change which I think we could consistently make, i. e. to omit the part of the letter in brackets on pages three and four which indicates that the bankers should satisfy themselves as to the attitude of the Transfer Committee and inform their clients of the situation. They have inquired of the Transfer Committee and Mr. Gilbert has made a public statement to the effect that the Committee is not in a position to give any assurance concerning the payment of interest or amortization of German loans floated abroad. I am sorry to say that this statement has not received the publicity and attracted the attention that it should have, and therefore I think we ought to call attention in the letter to just what he said. This puts the bankers on notice. I am willing therefore to omit the part of the letter in brackets if you feel as though, on account of their inquiries from Gilbert, we should not continue to send this portion of the letter.

I also think at this stage of the proceedings it is sufficient for us to continue to call attention to the fact that the German authorities are not in favor of indiscriminate German loans. It would be all right for us to ask them whether they have received the consent of the Advisory Board if we knew that any such board was going to exercise any real control. Up to the present time, we have no such information after repeated inquiries to Berlin; in fact, we are advised by our **Ambassador** that there is no likelihood that there will be any real control exercised.

Please let me know as soon as possible whether you agree, since, as you know, several German loans are now pending before this Department.

Very sincerely yours,

FRANK B. KELLOGG

⁷⁵ Not found in Department files.

⁷⁶ Marked copy not found in Department files.

862.51 D 88/-

The Secretary of State to Harris, Forbes & Company

WASHINGTON, November 21, 1925.

SIRS: I beg to acknowledge the receipt of your letter of November 14, 1925,⁷⁷ regarding your interest in a proposed loan of \$3,000,000 to the City of Duisberg for the purposes and under the terms set forth therein.

Since the flotation of the German external loan provided for by the Dawes plan, offerings of German loans in the American market have aggregated, according to the information before this Department, about \$200,000,000, and it appears that a considerable volume of additional German financing is now in contemplation. In addition to the public offerings referred to above, the Department is informed that a large amount of private bank and commercial credits has been extended to German interests during the past year.

In these circumstances the Department believes that American bankers should examine with particular care all German financing that is brought to their attention, with a view to ascertaining whether the loan proceeds are to be used for productive and self-supporting objects that will improve, directly or indirectly, the economic condition of Germany and tend to aid that country in meeting its financial obligations at home and abroad. In this connection I feel that I should inform you that the Department is advised that the German Federal authorities themselves are not disposed to view with favor the indiscriminate placing of German loans in the American market, particularly when the borrowers are German municipalities and the purposes are not productive.

Moreover it cannot be said at this time that serious complications in connection with interest and amortization payments by German borrowers may not arise from possible future action by the Agent General and the Transfer Committee. In this connection, your attention is called to a public statement by Mr. Gilbert on November 11, 1925, to the effect that the Transfer Committee is not in a position to give assurances concerning the payment of interest or amortization on German loans floated abroad.^{77a} While the Department of State does not wish to be understood as passing upon the interpretation or application of the provisions of the Dawes plan, or upon their effect, if any, upon loans such as the one now under consideration by you, it believes that in the interest of yourselves and of your prospective clients you should give careful consideration to this question.

⁷⁷ Not printed.

^{77a} See telegram No. 194, Nov. 13, from the Ambassador in Germany, p. 182.

While the foregoing considerations involve questions of business risk, and while the Department does not in any case pass upon the merits of foreign loans as business propositions, it is unwilling, in view of the uncertainties of the situation, to allow the matter to pass without calling the foregoing considerations to your attention. In reply to your inquiry, however, I wish to state that there appear to be no questions of Government policy involved which would justify the Department in offering objection to the loan in question.

I am [etc.]

For the Secretary of State:

LELAND HARRISON

Assistant Secretary

862.51/2145

The Ambassador in Germany (Schurman) to the Secretary of State

No. 511

BERLIN, *November 24, 1925.*

[Received December 7.]

SIR: Referring to previous correspondence on the subject of German public loans, and with special reference to my telegram No. 196, dated November 14, 1 p. m., I have the honor to report that, according to a statement of the Beratungsstelle (Advisory Committee) of the Finance Ministry, the following public loans have been authorized since November 14:

The City of Duisburg, 3 million dollars.

The City of Dresden, 5 million dollars.

The Central Bank of Baden, 15.7 million marks.

The Landesbank of Hessen in Darmstadt, 4 million dollars.

The City of Berlin, 30 million Swiss francs.

In this connection it is interesting to note that the Government circles have finally come to realize that they must at least make a show of instituting some effective control of public loans. Reports from Dr. Schacht, which they have received recently, have convinced them that, in view of the attitude of the Department of State in Washington, it has become urgently necessary for the Finance Ministry here to endeavor to persuade the American Government that the German Government is prepared to take appropriate measures to put in a system of effective control of public borrowing. Therefore, I assume that when Dr. Schacht returns, a good deal of play will be made of carrying this out. As I have often intimated before, however, in view of the continuing scramble for Municipal loans, and in view of domestic constitutional difficulties, I am not very sanguine as to the ultimate success of these endeavors.

I have [etc.]

JACOB GOULD SCHURMAN

ARRANGEMENT BETWEEN THE UNITED STATES AND GERMANY
GRANTING RELIEF FROM DOUBLE INCOME TAX ON SHIPPING
PROFITS

811.512362Shipping/2 : Telegram

The Ambassador in Germany (Houghton) to the Secretary of State

BERLIN, September 7, 1923—9 a. m.

[Received 10:40 a. m.]

137. Department's 3163, February 5th.⁷⁸ Embassy's 278, March 22nd, also diplomatic serial 117, May 16th, 1922.⁷⁹

[Paraphrase.] I am transmitting herewith, at the urgent request of the Foreign Office, the substance of a *note verbale* dated September 5. The Hamburg-American Line is also interested in having Department informed by telegraph. [End paraphrase.]

"Commonwealth [*Reich*] Minister of Commerce [*Finance*] has instructed the financial authorities, in case of commercial companies whose seat and place of directing are in the United States of America, not to subject to the corporation tax the income which comes exclusively from the operation of ships and not to demand a corporation-tax declaration as to the above-mentioned from the North American companies which maintain in Germany a branch office, and other place of operation, or a permanent representative.⁸⁰ This instruction was issued on condition of reciprocity on the part of the United States and under the reservation that it may be recalled at any time.

The said Minister has furthermore declared his readiness to grant the favored treatment accorded to North American shipping companies also to citizens (individual persons) of the United States of America who carry on shipping traffic to Germany, if the Government of the United States grants reciprocity in the same degree."

German Foreign Office requests Embassy also to obtain a statement as to the attitude of the United States Government towards the question of exemption from taxation of the above-described individual persons.

HOUGHTON

811.512362 Shipping/-

The German Embassy to the Department of State

[Translation ⁸¹]

The German Embassy has the honor to forward herewith to the Department of State an ordinance of the German Minister of Finance, III C 7412 of August 10 of this year, together with an English

⁷⁸ Not printed.

⁷⁹ Neither printed.

⁸⁰ Ordinance of Aug. 10, 1923, p. 189.

⁸¹ File translation revised.

translation, concerning the exemption of North American Steamship Companies from the payment of the German corporation tax.

WASHINGTON, September 13, 1923.

[Enclosure—Translation ⁸²]

The German Minister of Finance (Hermes) to the Presidents of the State Finance Offices of Königsberg, Mecklenburg-Lübeck, Oldenburg, Schleswig-Holstein, Stettin, Unterelbe, and Unterweser

III C 7412

BERLIN, August 10, 1923.

Under section 213, subdivision 8, of the Revenue Act of 1921 of the United States of America, the income derived exclusively from the operation of a ship or ships of a foreign company is exempted from the income tax if the company is subject to the laws of a foreign state which grants reciprocal rights to the United States. At the instance of the Embassy of the United States of America, I declare myself as agreeing, upon the assumption of full reciprocity and with the reservation of the right of revocation at any time, under authority of section 108, subdivision 1, of the Federal Tax Law, that in the case of companies operated for profit, whose domicile and place of management is in the United States of America, the income which is derived exclusively from the operation of ships shall not be subjected to the corporation tax. A corporation-tax return for the aforesaid income is not to be required of North American companies which maintain in this country a branch or other place of operation or a permanent representative. I request that the finance offices charged with making the assessments be notified forthwith.

If in individual cases doubt should arise, I ask that report be made thereof.

Representing the Minister:

ZAFF

811.512362 Shipping/1: Telegram

*The Secretary of State to the Ambassador in Germany (Houghton)*⁸³

WASHINGTON, October 6, 1923—6 p. m.

79. Your 137, September 7, 9 A. M. Treasury Department states that it is necessary for a foreign government to exempt citizens of the United States not residing in the foreign country concerned as well as domestic corporations from tax on earnings from sources

⁸² File translation revised.

⁸³ On Oct. 8, 1923, the Embassy in Berlin presented a *note verbale* to the German Foreign Office in conformity with this instruction. For text of *note verbale*, see Department of State, Executive Agreement Series No. 17, p. 2.

within such country derived exclusively from the operation of ships in order that such country may satisfy the equivalent exemption provision of Section 213 (b) (8) of the Revenue Act of 1921.

Therefore, if the Minister of Commerce [*Finance*] will issue the same instructions to the financial authorities relative to citizens of the United States not residing in Germany as have been issued relative to domestic corporations Germany will, Treasury Department states, have satisfied the equivalent exemption provision referred to and as soon as that Department receives notice that the additional instructions have been issued it will issue a statement that Germany has satisfied this exemption provision.

If the instructions referred to above are issued, report telegraphically the date on which they become effective. Also, inform Department whether Germany has ever demanded or collected, or under the law may demand, any income tax from citizens of the United States not residing in Germany or domestic corporations on earnings derived from the operation of ships from January 1, 1921, to the date on which above instructions if issued become effective.

HUGHES

811.512362 Shipping/8

The Ambassador in Germany (Houghton) to the Secretary of State

No. 526

BERLIN, *January 22, 1924.*

[Received February 12.]

SIR: Referring to my telegram No. 21 of January 21st last,⁸⁴ with regard to exemption from taxation of individual Americans engaged in shipping, who are non-resident in Germany, and of American shipping companies, I have the honor to transmit herewith a copy and translation of the note from the German Foreign Office, to which my telegram referred.

I have [etc.]

A. B. HOUGHTON

[Enclosure—Translation⁸⁵]

The German Foreign Office to the American Embassy

No. V Steu 30

B 2556

NOTE VERBALE

The Foreign Office has the honor to inform the Embassy of the United States of America, in reply to the latter's *note verbale* of

⁸⁴ Not printed.

⁸⁵ File translation revised.

October 27, 1923 (No. 543),⁸⁶ and supplementing its own *note verbale* of September 5, 1923 (V Steu 1496),⁸⁷ that, by an ordinance dated January 5, 1924,⁸⁸ the Federal Minister of Finance has instructed the competent financial authorities that incomes derived from the operation of ships by citizens of the United States of America (individual persons) who have no residence in Germany are likewise to be exempted from the income tax, under the condition of reciprocity and the reservation of repeal at any time, as has already been ordered by a proclamation of August 10, 1923,⁸⁹ relating to American commercial companies as affected by the corporation tax.

Furthermore, according to the investigations undertaken by the German Government, citizens of the United States who have no residence in Germany, as well as American shipping companies which receive their incomes from the operation of ships, have not been subjected in Germany to either the income or corporation tax since January 1, 1921.

The Foreign Office would be grateful for a statement as to whether now the Government of the United States of America will grant to German shipping companies and individual persons engaged in shipping the same exemption from taxation of incomes derived from the operation of ships, and particularly so with retroactive effect from January 1, 1921.

BERLIN, *January 19, 1924.*

811.512362 Shipping/9

The Secretary of State to the Ambassador in Germany (Houghton)

No. 3354

WASHINGTON, *March 20, 1924.*

SIR: With reference to your telegram No. 21, of January 21st, 4 p. m.,⁹⁰ concerning the taxing by Germany of earnings derived from the operation of ships documented under the laws of the United States, the Department desires to advise you that a communication, dated March 3, 1924, of which a copy is enclosed for your information, has been received from the Treasury Department⁹⁰ stating that before making a rule on this subject, the latter desires to secure additional information from the German Government. Accordingly,

⁸⁶ Not found in Department files.

⁸⁷ See telegram No. 137, Sept. 7, 1923, 9 a. m., from the Ambassador in Germany, p. 188.

⁸⁸ *Post*, p. 194.

⁸⁹ *Ante*, p. 189.

⁹⁰ Not printed.

please make a formal response to the Foreign Office's note of January 19, 1924 substantially as follows:⁹¹

In the Ordinance of August 10, 1923, it is noted "that in the case of companies operated for profit, whose domicile and place of management is in the United States of America, the income which is derived exclusively from the operation of ships, shall not be subjected to the corporation tax. A corporation tax return for the aforesaid income is not to be required of North American companies which maintain in this country a branch or other place of operation or a continuous [*permanent*] representative."

Under this provision of the Ordinance of August 10, 1923, it appears that an American corporation whose place of management, for instance, is in London, might possibly be taxed while an American corporation whose place of management is in the United States or Germany, would be exempted. In order for individual Germans and German shipping companies to be entitled, under the provisions of American law, to the benefits of reciprocity in the matter of exemption from taxation, it would be necessary for the ordinance of August 10, 1923, to apply to all corporations organized in the United States regardless of the place of management.

Moreover, in order to enable the Government of the United States to pass upon the question as to whether equivalent exemption is applicable from January 1, 1921, the Treasury Department states that it will be necessary for the German Government to show that citizens of the United States non-resident as to Germany and domestic corporations have not been subjected to income and corporation tax since January 1, 1921, on the earnings derived from the operation of ships, and that they are exempt from such taxes and will not be required to pay the income and corporation tax on any income earned since January 1, 1921.

Please request the Foreign Office to expedite consideration of your response. When the Foreign Office shall have again replied, a copy thereof should be mailed to the Department with the following additional material bearing upon this subject.

(1) A copy of the Ordinance of January 5, 1924, exempting citizens of the United States not residing in Germany from tax on earnings derived from operation of ships:

(2) Translated copy of Section 108, subdivisional, of the Federal Tax Law of Germany.

I am [etc.]

For the Secretary of State:

J. BUTLER WRIGHT

⁹¹ On May 5, 1924, the Embassy in Berlin presented a *note verbale* to the German Foreign Office in conformity with this instruction. For text of *note verbale*, see Department of State, Executive Agreement Series No. 17, p. 5.

811.512362 Shipping/10

The Chargé in Germany (Robbins) to the Secretary of State

No. 734

BERLIN, *September 12, 1924.*

[Received September 27.]

SIR: With reference to the Department's instruction No. 3354, dated March 20, 1924, concerning the taxing by Germany of earnings derived from the operation of ships documented under the laws of the United States, I have the honor to report that a communication was addressed to the Foreign Office on May 5, 1924, in the sense outlined in the Department's instruction, and that the Embassy now has Foreign Office *note verbale* No. V Steu 1489/B.34881, dated September 3, 1924, in reply, a copy and translation of which are enclosed herewith.

With reference to the last paragraph of the Department's instruction under reference, there are also enclosed herewith a copy of the German Ordinance of January 5, 1924, and a translated copy of Section 108, subdivisional, of the Federal Tax Law of Germany. These documents were furnished the Embassy by the Foreign Office. There is also transmitted herewith a translation of the former document made by the Embassy.

I have [etc.]

WARREN D. ROBBINS

[Enclosure 1—Translation ⁹²]*The German Foreign Office to the American Embassy*No. V Steu 1489B 34881

NOTE VERBALE

The Foreign Office has the honor to inform the Embassy of the United States of America, in response to the latter's Note No. 686 of May 16 last,⁹³ relative to exemption from income tax of both German and American shipowners, as follows:

The Federal Minister of Finance is now ready in principle to amend his order of August 10, 1923, in accordance with the wishes of the Government of the United States of America as conveyed in the Embassy's *Note Verbale* No. 675 of May 5, 1924, and to cause instructions to be issued to the subordinate financial authorities that the order of August 10, 1923, is to be applied to all companies which have their seat in the United States of America regardless of the location of their management.

⁹² File translation revised.⁹³ Not printed.

As concerns the conditions for abstention from collection of taxes from January 1, 1921, referred to in the last-mentioned *note verbale*, the Foreign Office can only repeat the statement based on the official findings of the Federal Minister of Finance and contained in its Note No. V Steu 30 of January 19, 1924,⁹⁴—the statement that since January 1, 1921, the income from the operation of ships of American shipping companies and citizens who have no residence in Germany has not been subjected to the German income tax or corporation tax. Furthermore, the German Government will abstain from a supplementary collection of taxes for the period since January 1, 1921, if the American Government grants reciprocity. The statement previously made by the Foreign Office through the usual diplomatic channels is a binding official declaration of the German Government.

The Foreign Office requests the Embassy of the United States of America to inform its Government of the above and to acquaint the Foreign Office with the American Government's attitude as soon as possible so that, if an agreement is reached between the German and American Governments, the Federal Minister of Finance may issue suitable instructions to the financial authorities.

BERLIN, *September 3, 1924.*

[Enclosure 2—Translation ⁹⁵]

The German Minister of Finance to the State Finance Offices, Section for Property and Traffic Taxes, Königsberg, Mecklenburg-Lübeck in Schwerin, Oldenburg, Schleswig-Holstein in Kiel, Stettin, Unterelbe in Hamburg, Unterweser in Bremen

III C 14722

III D 5

BERLIN, *January 5, 1924.*

Through a decree dated August 10, 1923 (III C 7412) I have ordered, on condition of complete reciprocity and with the reservation of cancellation at any time on the basis of section 108, paragraph 1, of the Federal Tax Law, that the income derived exclusively from the operation of ships of companies (juridical persons) whose seat and place of management is in the United States of America shall not be subjected to the corporation tax. On the same condition, I declare myself in agreement that the income derived exclusively from the operation of ships by citizens of the United States (natural persons) who have no residence in Germany shall be exempt from the income tax. I request that the financial offices charged with the assessment of taxes be informed thereof.

⁹⁴ *Ante*, p. 190.

⁹⁵ File translation revised.

In case doubt should arise in individual cases, I request that a report be made thereon.

By direction :
POPITZ

[Enclosure 3—Translation]

*Section 108 of the Federal Tax Law of Germany of December 13, 1919*⁹⁶

In particular cases the Reichsfinanzminister may, wholly or in part, abate any taxes the collection of which would, with a view to the circumstances of the case, be unfair, or he may in such cases decree the taxes already paid to be refunded or credited to account. As regards specific types of cases, the above authority may be transferred to the Landesfinanzaemter or to the Finanzaemter.

As regards cases of a specific type, the Reichsfinanzminister may, for reasons of fairness and with consent of the Reichsrat, generally provide for exemption from, or reduction of taxes as well as for taxes already paid to be refunded or credited to account.

811.512362 Shipping/12

The Secretary of State to the Chargé in Germany (Robbins)

No. 3581

WASHINGTON, November 8, 1924.

SIR: The Department refers to your despatch No. 734 of September 12, 1924, in regard to the taxation by Germany of the earnings derived from the operation of ships documented under the laws of the United States, with which you enclosed a copy and translation of a note dated September 3, 1924, from the Foreign Office, together with a copy of the German Ordinance of January 5, 1924, and a translated copy of Section 108, subdivisinal, of the Federal Tax Law of Germany.

Under date of October 3, 1924, copies of your despatch and its enclosures were transmitted to the Treasury Department for its consideration and the Department is now in receipt of the Treasury Department's reply of October 31, 1924, the substance of which is as follows:

After careful consideration, this Department is of the opinion that in view of the categorical statement of the German Government and the proposed amendment by the Commonwealth Minister of Finance to his order of August 10, 1923, Germany will meet the equivalent exemption provision of Section 213 (b) (8) of the Revenue Act of 1924, upon the issuance of the necessary orders referred to in the Note under consideration. The same opinion is herein

⁹⁶ Reichsgesetzblatt, S. 1993.

expressed with respect to the years 1921, 1922 and 1923, under the provision of Section 213 (b) (8) of the Revenue Act of 1921.

Accordingly, it is requested that the German Government be apprised that upon completion of the action proposed in the Note of the Foreign Office of September 3, 1924, the equivalent exemption provision of Section 213 (b) (8) of both the Revenue Acts of 1921 and 1924 will be satisfied and that the income of a nonresident alien or foreign corporation from sources within the United States which consists exclusively of earnings of a ship or ships documented under the laws of Germany will be exempt from Federal Income tax and that such exemption will be applicable for the year 1921 and subsequent years. In this connection it should be pointed out that certain German shipping concerns have been granted until December 15th to complete their 1923 tax returns and it is desirable that this information be communicated to the German Government as expeditiously as possible. This Department would appreciate prompt advice of the action of the competent German authorities.

You will observe from the foregoing that the Treasury Department refers to the categorical statement of the German Foreign Office "that the German Government will abstain from a supplementary collection of taxes for the period since January 1, 1921, if the American Government grants reciprocity" and that this statement is a "binding official declaration of the German Government". You will also observe that the Treasury Department states that in view of this categorical statement and a proposed amendment by the Commonwealth Minister of Finance to his Order of August 10, 1923, it considers that Germany will meet the equivalent exemption provision of Section 213 (b) (8) of the Revenue Act of 1924 upon the issuance of the necessary orders referred to in the note of the Foreign Office of September 3, 1924. The Treasury Department expresses the same opinion with respect to the years 1921, 1922 and 1923 under the provision of Section 213 (b) (8) of the Revenue Act of 1921.

In compliance with the suggestion of the Treasury Department it is desired that you advise the Foreign Office that upon the completion of the action proposed in its note of September 3, 1924, the equivalent exemption provision of Section 213 (b) (8) of both of the Revenue Acts of 1921 and 1924 will be satisfied and that the income of a nonresident alien or foreign corporation from sources within the United States which consists exclusively of earnings of a ship or ships documented under the laws of Germany will be exempt from Federal income tax and that such exemption will be applicable for the year 1921 and subsequent years. You will observe that the Treasury Department states that as certain German shipping concerns have been granted until December 15 to complete their 1923 tax returns, it is desirable that this information be conveyed to the German authorities as expeditiously as possible.

It is desired that you advise the Department as soon as possible with respect to the action taken by the German authorities in the matter of the proposed amendment by the Minister of Finance of his Order of August 10, 1923, so that the Treasury Department may, in turn, be definitely advised in the premises.

I am [etc.]

For the Secretary of State:

JOSEPH C. GREW

811.512362 Shipping/15

The Ambassador in Germany (Houghton) to the Secretary of State

No. 843

BERLIN, December 12, 1924.

[Received January 5, 1925.]

SIR: With reference to the Department's instruction No. 3581, of November 8 last, in regard to taxation by Germany of the earnings derived from the operation of ships documented under the laws of the United States, I have the honor to report that representations were made to the Foreign Office as directed therein,⁹⁷ and to enclose herewith a copy and translation of Foreign Office *Note Verbale*, the substance of which was transmitted to the Department in the Embassy's telegram No. 256, 12 noon, of December 12, 1924.⁹⁸

I have [etc.]

For the Ambassador:

WARREN D. ROBBINS

Counselor of Embassy

[Enclosure—Translation⁹⁹]

The German Foreign Office to the American Embassy

No. V Steu 1998

B 49423

NOTE VERBALE

Referring to *note verbale* No. 935, dated November 29, concerning the taxation of shipping companies of both countries, the Foreign Office has the honor to inform the Embassy of the United States of America that, in accordance with the proposal transmitted in the Foreign Office's *note verbale* of September 3, 1924 (V Steu 1489), the Federal Minister of Finance has now, by an order dated December 9, 1924,¹ instructed the subordinate financial authorities to apply the

⁹⁷ By *note verbale* No. 935, Nov. 29, 1924. For text of *note verbale*, see Department of State, Executive Agreement Series No. 17, p. 9.

⁹⁸ Telegram not printed.

⁹⁹ File translation revised.

¹ Department of State, Executive Agreement Series No. 17, p. 17.

order of August 10, 1923, to all companies which have their seat in the United States of America regardless of the location of their management.

Thus, according to the *note verbale* of the Embassy of the United States of America of November 29, the conditions are fulfilled in order that, beginning January 1, 1921, the incomes derived from the operation of ships by German citizens who are not residents of the United States of America, and by companies with their seat in Germany, are exempt from the income tax in the United States of America.

Since, according to the *note verbale* of the Embassy of the United States of America dated November 29, the period granted for the filing of tax declarations expires on December 15 for certain German shipping companies, the Foreign Office would greatly appreciate it if the Embassy of the United States of America would inform its Government by telegraph of the change made in the order of the Ministry of Finance of August 10, 1923.

BERLIN, December 11, 1924.

811.512362 Shipping/17

The Secretary of State to the Ambassador in Germany (Houghton)

No. 3715

WASHINGTON, February 20, 1925.

SIR: Referring to the Department's instruction dated January 22, 1925,² in reply to your Embassy's despatch No. 843 of December 12, 1924, concerning taxation by Germany of the earnings derived from the operation of ships documented under the laws of the United States, you are informed of the receipt of advices from the Secretary of the Treasury that Germany is now considered to have satisfied the equivalent exemption provision of Section 213 (b) (8) of both the Revenue Acts of 1921 and 1924, and that accordingly the income of a nonresident alien or foreign corporation from sources within the United States which consists exclusively of earnings of a ship or ships documented under the laws of Germany is exempt from Federal income tax and such exemption is applicable for the year 1921 and subsequent years.

It is suggested that the German Foreign Office be informed of the ruling of the Treasury Department.³

I am [etc.]

For the Secretary of State:

LELAND HARRISON

² Not printed.

³ On Mar. 20, 1925, the Embassy at Berlin presented a *note verbale* to the German Foreign Office in conformity with this instruction. For text of *note verbale*, see Department of State, Executive Agreement Series No. 17, p. 12.

GREAT BRITAIN

CONVENTION BETWEEN THE UNITED STATES AND GREAT BRITAIN RELATING TO AMERICAN RIGHTS IN THE CAMEROONS¹

*Convention Between the United States of America and Great Britain,
Signed at London, February 10, 1925*²

Treaty Series No. 743

WHEREAS His Britannic Majesty has accepted a mandate for the administration of part of the former German protectorate of the Cameroons, the terms of which have been defined by the Council of the League of Nations as follows:—

“ARTICLE 1

“The territory for which a mandate is conferred upon His Britannic Majesty comprises that part of the Cameroons which lies to the west of the line laid down in the Declaration signed on the 10th July, 1919, of which a copy is annexed hereto.

“This line may, however, be slightly modified by mutual agreement between His Britannic Majesty’s Government and the Government of the French Republic where an examination of the localities shows that it is undesirable, either in the interests of the inhabitants or by reason of any inaccuracies in the map, Moisel 1 : 300,000, annexed to the Declaration, to adhere strictly to the line laid down therein.

“The delimitation on the spot of this line shall be carried out in accordance with the provisions of the said Declaration.

“The final report of the Mixed Commission shall give the exact description of the boundary line as traced on the spot; maps signed by the Commissioners shall be annexed to the report. This report, with its annexes, shall be drawn up in triplicate; one of these shall be deposited in the archives of the League of Nations, one shall be kept by His Britannic Majesty’s Government, and one by the Government of the French Republic.

“ARTICLE 2

“The Mandatory shall be responsible for the peace, order and good government of the territory, and for the promotion to the utmost of the material and moral well-being and the social progress of its inhabitants.

¹ For correspondence regarding the negotiation of this treaty, see *Foreign Relations*, 1924, vol. II, pp. 193 ff.

² Ratification advised by the Senate, Mar. 15, 1926; ratified by the President, Mar. 23, 1926; ratified by Great Britain, Apr. 20, 1926; ratifications exchanged at London, July 8, 1926; proclaimed by the President, July 12, 1926.

“ARTICLE 3

“The Mandatory shall not establish in the territory any military or naval bases, nor erect any fortifications, nor organise any native military force except for local police purposes and for the defence of the territory.

“ARTICLE 4

“The Mandatory:

- “1. Shall provide for the eventual emancipation of all slaves, and for as speedy an elimination of domestic and other slavery as social conditions will allow;
- “2. Shall suppress all forms of slave trade;
- “3. Shall prohibit all forms of forced or compulsory labour, except for essential public works and services, and then only in return for adequate remuneration;
- “4. Shall protect the natives from abuse and measures of fraud and force by the careful supervision of labour contracts and the recruiting of labour;
- “5. Shall exercise a strict control over the traffic in arms and ammunition and the sale of spirituous liquors.

“ARTICLE 5

“In the framing of laws relating to the holding or transfer of land, the Mandatory shall take into consideration native laws and customs, and shall respect the rights and safeguard the interests of the native population.

“No native land may be transferred, except between natives, without the previous consent of the public authorities, and no real rights over native land in favour of non-natives may be created, except with the same consent.

“The Mandatory shall promulgate strict regulations against usury.

“ARTICLE 6

“The Mandatory shall secure to all nationals of States Members of the League of Nations the same rights as are enjoyed in the territory by his own nationals in respect of entry into and residence in the territory, the protection afforded to their person and property, and acquisition of property, movable and immovable, and the exercise of their profession or trade, subject only to the requirements of public order, and on condition of compliance with the local law.

“Further, the Mandatory shall ensure to all nationals of States Members of the League of Nations, on the same footing as to his own nationals, freedom of transit and navigation, and complete economic, commercial and industrial equality; except that the Mandatory shall be free to organise essential public works and services on such terms and conditions as he thinks just.

“Concessions for the development of the natural resources of the territory shall be granted by the Mandatory without distinction on grounds of nationality between the nationals of all States Members of the League of Nations, but on such conditions as will maintain intact the authority of the local Government.

“Concessions having the character of a general monopoly shall not be granted. This provision does not affect the right of the Mandatory to create monopolies of a purely fiscal character in the interest of the territory under mandate and in order to provide the territory with fiscal resources which seem best suited to the local requirements; or, in certain cases, to carry out the development of natural resources, either directly by the State or by a controlled agency, provided that there shall result therefrom no monopoly of the natural resources for the benefit of the Mandatory or his nationals, directly or indirectly, nor any preferential advantage which shall be inconsistent with the economic, commercial and industrial equality hereinbefore guaranteed.

“The rights conferred by this article extend equally to companies and associations organised in accordance with the law of any of the Members of the League of Nations, subject only to the requirements of public order, and on condition of compliance with the local law.

“ARTICLE 7

“The Mandatory shall ensure in the territory complete freedom of conscience and the free exercise of all forms of worship which are consonant with public order and morality; missionaries who are nationals of States Members of the League of Nations shall be free to enter the territory and to travel and reside therein, to acquire and possess property, to erect religious buildings and to open schools throughout the territory; it being understood, however, that the Mandatory shall have the right to exercise such control as may be necessary for the maintenance of public order and good government, and to take all measures required for such control.

“ARTICLE 8

“The Mandatory shall apply to the territory any general international conventions applicable to his contiguous territory.

“ARTICLE 9

“The Mandatory shall have full powers of administration and legislation in the area, subject to the mandate. This area shall be administered in accordance with the laws of the Mandatory as an integral part of his territory and subject to the above provisions.

“The Mandatory shall therefore be at liberty to apply his laws to the territory under the mandate, subject to the modifications required by local conditions, and to constitute the territory into a customs, fiscal or administrative union or federation with the adjacent territories under his sovereignty or control, provided always that the measures adopted to that end do not infringe the provisions of this mandate.

“ARTICLE 10

“The Mandatory shall make to the Council of the League of Nations an annual report, to the satisfaction of the Council, containing full information concerning the measures taken to apply the provisions of this mandate.

“ARTICLE 11

“The consent of the Council of the League of Nations is required for any modification of the terms of this mandate.

“ARTICLE 12

“The Mandatory agrees that, if any dispute whatever should arise between the Mandatory and another Member of the League of Nations relating to the interpretation or the application of the provisions of the mandate, such dispute, if it cannot be settled by negotiation, shall be submitted to the Permanent Court of International Justice provided for by article 14 of the Covenant of the League of Nations”; and

Whereas the Government of His Britannic Majesty and the Government of the United States of America are desirous of reaching a definite understanding as to the rights of their respective Governments and of their nationals in the said territory:

The President of the United States of America and His Britannic Majesty have decided to conclude a convention to this effect, and have named as their plenipotentiaries:—

The President of the United States of America:

His Excellency the Honourable Frank B. Kellogg, Ambassador Extraordinary and Plenipotentiary of the United States at London:

His Majesty the King of the United Kingdom of Great Britain and Ireland and of the British Dominions beyond the Seas, Emperor of India:

The Right Honourable Joseph Austen Chamberlain, M. P., His Majesty's Principal Secretary of State for Foreign Affairs:

who, after having communicated to each other their respective full powers, found in good and due form, have agreed as follows:—

ARTICLE 1

Subject to the provisions of the present convention, the United States consents to the administration by His Britannic Majesty, pursuant to the aforesaid mandate, of the former German territory described in article 1 of the mandate, hereinafter called the mandated territory.

ARTICLE 2

The United States and its nationals shall have and enjoy all the rights and benefits secured under the terms of articles 2, 3, 4, 5, 6, 7, 8 and 9 of the mandate to Members of the League of Nations and their nationals, notwithstanding the fact that the United States is not a member of the League of Nations.

ARTICLE 3

Vested United States property rights in the mandated territory shall be respected and in no way impaired.

ARTICLE 4

A duplicate of the annual report to be made by the Mandatory under article 10 of the mandate shall be furnished to the United States.

ARTICLE 5

Nothing contained in the present convention shall be affected by any modification which may be made in the terms of the mandate as recited above, unless such modification shall have been assented to by the United States.

ARTICLE 6

The Extradition treaties and conventions in force between the United States and the United Kingdom shall apply to the mandated territory.

ARTICLE 7

The present convention shall be ratified in accordance with the respective constitutional methods of the High Contracting Parties. The ratifications shall be exchanged at London as soon as practicable. It shall take effect on the date of the exchange of ratifications.

In witness whereof, the undersigned have signed the present convention, and have thereunto affixed their seals.

Done in duplicate at London, this 10th day of February, 1925.

[SEAL]	FRANK B. KELLOGG
[SEAL]	AUSTEN CHAMBERLAIN

**CONVENTION BETWEEN THE UNITED STATES AND GREAT BRITAIN
RELATING TO AMERICAN RIGHTS IN EAST AFRICA³**

*Convention Between the United States of America and Great Britain,
Signed at London, February 10, 1925⁴*

Treaty Series No. 744

WHEREAS His Britannic Majesty has accepted a mandate for the administration of part of the former German colony of East Africa,

³ For correspondence regarding the negotiation of this treaty, see *Foreign Relations*, 1924, vol. II, pp. 193 ff.

⁴ Ratification advised by the Senate, Mar. 15, 1926; ratified by the President, Mar. 23, 1926; ratified by Great Britain, Apr. 20, 1926; ratifications exchanged at London, July 8, 1926; proclaimed by the President, July 12, 1926.

the terms of which have been defined by the Council of the League of Nations as follows:—

“ARTICLE 1

“The territory over which a mandate is conferred upon His Britannic Majesty (hereinafter called the Mandatory) comprises that part of the territory of the former colony of German East Africa situated to the east of the following line:—

“From the point where the frontier between the Uganda Protectorate and German East Africa cuts the River Mavumba, a straight line in a south-easterly direction to point 1640, about 15 kilom. south-south-west of Mount Gabiro;

“Thence a straight line in a southerly direction to the north shore of Lake Mohazi, where it terminates at the confluence of a river situated about 2½ kilom. west of the confluence of the River Msilala;

“If the trace of the railway on the west of the River Kagera between Bugufi and Uganda approaches within 16 kilom. of the line defined above, the boundary will be carried to the west, following a minimum distance of 16 kilom. from the trace, without, however, passing to the west of the straight line joining the terminal point on Lake Mohazi and the top of Mount Kivisa, point 2100, situated on the Uganda-German East Africa frontier about 5 kilom. south-west of the point where the River Mavumba cuts this frontier;

“Thence a line south-eastwards to meet the southern shore of Lake Mohazi;

“Thence the watershed between the Taruka and the Mkarange and continuing southwards to the north-eastern end of Lake Mugesera;

“Thence the median line of this lake and continuing southwards across Lake Ssake to meet the Kagera;

“Thence the course of the Kagera downstream to meet the western boundary of Bugufi;

“Thence this boundary to its junction with the eastern boundary of Urundi;

“Thence the eastern and southern boundary of Urundi to Lake Tanganyika.

“The line described above is shown on the attached British 1:1,000,000 map. G. S. G. S. 2932, sheet Ruanda and Urundi. The boundaries of Bugufi and Urundi are drawn as shown in the Deutscher Kolonialatlas (Dietrich-Reimer), scale 1:1,000,000, dated 1906.

“ARTICLE 2

“Boundary Commissioners shall be appointed by His Britannic Majesty and His Majesty the King of the Belgians to trace on the spot the line described in article 1 above.

“In case any dispute should arise in connection with the work of these commissioners, the question shall be referred to the Council of the League of Nations, whose decision shall be final.

“The final report by the Boundary Commission shall give the precise description of this boundary as actually demarcated on the ground; the necessary maps shall be annexed thereto and signed by the commissioners. The report, with its annexes, shall be made in

triplicate; one copy shall be deposited in the archives of the League of Nations, one shall be kept by the Government of His Majesty the King of the Belgians and one by the Government of His Britannic Majesty.

“ARTICLE 3

“The Mandatory shall be responsible for the peace, order and good government of the territory, and shall undertake to promote to the utmost the material and moral well-being and the social progress of its inhabitants. The Mandatory shall have full powers of legislation and administration.

“ARTICLE 4

“The Mandatory shall not establish any military or naval bases, nor erect any fortification, nor organise any native military force in the territory except for local police purposes and for the defence of the territory.

“ARTICLE 5

“The Mandatory:

- “1. Shall provide for the eventual emancipation of all slaves and for as speedy an elimination of domestic and other slavery as social conditions will allow;
- “2. Shall suppress all forms of slave trade;
- “3. Shall prohibit all forms of forced or compulsory labour, except for essential public works and services, and then only in return for adequate remuneration;
- “4. Shall protect the natives from abuse and measures of fraud and force by the careful supervision of labour contracts and the recruiting of labour;
- “5. Shall exercise a strict control over the traffic in arms and ammunition and the sale of spirituous liquors.

“ARTICLE 6

“In the framing of laws relating to the holding or transfer of land, the Mandatory shall take into consideration native laws and customs, and shall respect the rights and safeguard the interests of the native population.

“No native land may be transferred, except between natives, without the previous consent of the public authorities, and no real rights over native land in favour of non-natives may be created, except with the same consent.

“The Mandatory will promulgate strict regulations against usury.

“ARTICLE 7

“The Mandatory shall secure to all nationals of States Members of the League of Nations the same rights as are enjoyed in the territory by his own nationals in respect of entry into and residence in the territory, the protection afforded to their person and property, the acquisition of property, movable and immovable, and the exercise of their profession or trade, subject only to the requirements of public order, and on condition of compliance with the local law.

"Further, the Mandatory shall ensure to all nationals of States Members of the League of Nations, on the same footing as to his own nationals, freedom of transit and navigation, and complete economic, commercial and industrial equality; provided that the Mandatory shall be free to organise essential public works and services on such terms and conditions as he thinks just.

"Concessions for the development of the natural resources of the territory shall be granted by the Mandatory without distinction on grounds of nationality between the nationals of all States Members of the League of Nations, but on such conditions as will maintain intact the authority of the local Government.

"Concessions having the character of a general monopoly shall not be granted. This provision does not affect the right of the Mandatory to create monopolies of a purely fiscal character in the interest of the territory under mandate, and in order to provide the territory with fiscal resources which seem best suited to the local requirements; or, in certain cases, to carry out the development of national resources either directly by the State or by a controlled agency, provided that there shall result therefrom no monopoly of the natural resources for the benefit of the Mandatory or his nationals, directly or indirectly, nor any preferential advantage which shall be inconsistent with the economic, commercial and industrial equality hereinbefore guaranteed.

"The rights conferred by this article extend equally to companies and associations organised in accordance with the law of any of the Members of the League of Nations, subject only to the requirements of public order, and on condition of compliance with the local law.

"ARTICLE 8

"The Mandatory shall ensure in the territory complete freedom of conscience and the free exercise of all forms of worship which are consonant with public order and morality; missionaries who are nationals of States Members of the League of Nations shall be free to enter the territory and to travel and reside therein, to acquire and possess property, to erect religious buildings and to open schools throughout the territory; it being understood, however, that the Mandatory shall have the right to exercise such control as may be necessary for the maintenance of public order and good government, and to take all measures required for such control.

"ARTICLE 9

"The Mandatory shall apply to the territory any general international conventions already existing, or which may be concluded hereafter, with the approval of the League of Nations, respecting the slave trade, the traffic in arms and ammunition, the liquor traffic and the traffic in drugs, or relating to commercial equality, freedom of transit and navigation, aerial navigation, railways, postal, telegraphic and wireless communication and industrial, literary and artistic property.

"The Mandatory shall co-operate in the execution of any common policy adopted by the League of Nations for preventing and combating disease, including diseases of plants and animals.

"ARTICLE 10

"The Mandatory shall be authorised to constitute the territory into a customs, fiscal and administrative union or federation with the adjacent territories under his own sovereignty or control, provided always that the measures adopted to that end do not infringe the provisions of this mandate.

"ARTICLE 11

"The Mandatory shall make to the Council of the League of Nations an annual report to the satisfaction of the Council, containing full information concerning the measures taken to apply the provisions of this mandate.

"A copy of all laws and regulations made in the course of the year and affecting property, commerce, navigation or the moral and material well-being of the natives shall be annexed to this report.

"ARTICLE 12

"The consent of the Council of the League of Nations is required for any modification of the terms of this mandate.

"ARTICLE 13

"The Mandatory agrees that if any dispute whatever should arise between the Mandatory and another Member of the League of Nations relating to the interpretation or the application of the provisions of the mandate, such dispute, if it cannot be settled by negotiation, shall be submitted to the Permanent Court of International Justice provided for by article 14 of the Covenant of the League of Nations.

"States Members of the League of Nations may likewise bring any claims on behalf of their nationals for infractions of their rights under this mandate before the said court for decision"; and

Whereas at its meeting of the 31st August, 1923, the Council of the League of Nations approved certain modifications of article 1 of the aforesaid mandate, which now reads as follows:

"ARTICLE 1

"The territory over which a mandate is conferred upon His Britannic Majesty (hereinafter called the Mandatory) comprises that part of the territory of the former colony of German East Africa, situated to the east of the following line:—

"The mid-stream of the Kagera River from the Uganda boundary to the point where the Kagera River meets the western boundary of Bugufi;

"Thence this boundary to its junction with the eastern boundary of Urundi;

"Thence the eastern and southern boundary of Urundi to Lake Tanganyika"; and

Whereas the Government of His Britannic Majesty and the Government of the United States of America are desirous of reaching a definite understanding as to the rights of their respective Governments and of their nationals in the said territory:

The President of the United States of America and His Britannic Majesty have decided to conclude a convention to this effect, and have named as their plenipotentiaries:—

The President of the United States of America:

His Excellency the Honourable Frank B. Kellogg, Ambassador Extraordinary and Plenipotentiary of the United States at London:

His Majesty the King of the United Kingdom of Great Britain and Ireland and of the British Dominions beyond the Seas, Emperor of India:

The Right Honourable Joseph Austen Chamberlain, M. P., His Majesty's Principal Secretary of State for Foreign Affairs:

who, after having communicated to each other their respective full powers, found in good and due form, have agreed as follows:—

ARTICLE 1

Subject to the provisions of the present convention, the United States consents to the administration by His Britannic Majesty, pursuant to the aforesaid mandate, of the former German territory described in article 1 of the mandate, hereinafter called the mandated territory.

ARTICLE 2

The United States and its nationals shall have and enjoy all the rights and benefits secured under the terms of articles 3, 4, 5, 6, 7, 8, 9 and 10 of the mandate to Members of the League of Nations and their nationals, notwithstanding the fact that the United States is not a member of the League of Nations.

ARTICLE 3

Vested United States property rights in the mandated territory shall be respected and in no way impaired.

ARTICLE 4

A duplicate of the annual report to be made by the Mandatory under article 11 of the mandate shall be furnished to the United States.

ARTICLE 5

Nothing contained in the present convention shall be affected by any modification which may be made in the terms of the mandate as recited above, unless such modification shall have been assented to by the United States.

ARTICLE 6

The Extradition treaties and conventions in force between the United States and the United Kingdom shall apply to the mandated territory.

ARTICLE 7

The present convention shall be ratified in accordance with the respective constitutional methods of the High Contracting Parties. The ratifications shall be exchanged at London as soon as practicable. It shall take effect on the date of the exchange of ratifications.

In witness whereof, the undersigned have signed the present convention, and have thereunto affixed their seals.

Done in duplicate at London, this 10th day of February, 1925.

[SEAL]	FRANK B. KELLOGG
[SEAL]	AUSTEN CHAMBERLAIN

CONVENTION BETWEEN THE UNITED STATES AND GREAT BRITAIN
RELATING TO AMERICAN RIGHTS IN TOGOLAND⁵

*Convention Between the United States of America and Great Britain,
Signed at London, February 10, 1925⁶*

Treaty Series No. 745

WHEREAS His Britannic Majesty has accepted a mandate for the administration of part of the former German protectorate of Togoland, the terms of which have been defined by the Council of the League of Nations as follows:—

“ARTICLE 1

“The territory for which a mandate is conferred upon His Britannic Majesty comprises that part of Togoland which lies to the west of the line laid down in the Declaration signed on the 10th July, 1919, of which a copy is annexed hereto.

⁵ For correspondence regarding the negotiation of this treaty, see *Foreign Relations*, 1924, vol. II, pp. 193 ff.

⁶ Ratification advised by the Senate, Mar. 15, 1926; ratified by the President, Mar. 23, 1926; ratified by Great Britain, Apr. 20, 1926; ratifications exchanged at London, July 8, 1926; proclaimed by the President, July 12, 1926.

"This line may, however, be slightly modified by mutual agreement between His Britannic Majesty's Government and the Government of the French Republic where an examination of the localities shows that it is undesirable, either in the interests of the inhabitants or by reason of any inaccuracies in the map Sprigade 1:200,000 annexed to the Declaration, to adhere strictly to the line laid down therein.

"The delimitation on the spot of this line shall be carried out in accordance with the provisions of the said Declaration.

"The final report of the Mixed Commission shall give the exact description of the boundary line as traced on the spot; maps signed by the Commissioners shall be annexed to the report. This report, with its annexes, shall be drawn up in triplicate; one of these shall be deposited in the archives of the League of Nations, one shall be kept by His Britannic Majesty's Government, and one by the Government of the French Republic.

"ARTICLE 2

"The Mandatory shall be responsible for the peace, order and good government of the territory, and for the promotion to the utmost of the material and moral well-being and the social progress of its inhabitants.

"ARTICLE 3

"The Mandatory shall not establish in the territory any military or naval bases, nor erect any fortifications, nor organise any native military force except for local police purposes and for the defence of the territory.

"ARTICLE 4

"The Mandatory:

- "1. Shall provide for the eventual emancipation of all slaves, and for as speedy an elimination of domestic and other slavery as social conditions will allow;
- "2. Shall suppress all forms of slave trade;
- "3. Shall prohibit all forms of forced or compulsory labour, except for essential public works and services, and then only in return for adequate remuneration;
- "4. Shall protect the natives from abuse and measures of fraud and force by the careful supervision of labour contracts and the recruiting of labour;
- "5. Shall exercise a strict control over the traffic in arms and ammunition and the sale of spirituous liquors.

"ARTICLE 5

"In the framing of laws relating to the holding or transfer of land, the Mandatory shall take into consideration native laws and customs, and shall respect the rights and safeguard the interests of the native population.

"No native land may be transferred, except between natives, without the previous consent of the public authorities, and no real rights over native land in favour of non-natives may be created, except with the same consent.

"The Mandatory shall promulgate strict regulations against usury.

"ARTICLE 6

"The Mandatory shall secure to all nationals of States Members of the League of Nations the same rights as are enjoyed in the territory by his own nationals in respect of entry into and residence in the territory, the protection afforded to their person and property and acquisition of property, movable and immovable, and the exercise of their profession or trade, subject only to the requirements of public order, and on condition of compliance with the local law.

"Further, the Mandatory shall ensure to all nationals of States Members of the League of Nations, on the same footing as to his own nationals, freedom of transit and navigation, and complete economic commercial and industrial equality, except that the Mandatory shall be free to organise essential public works and services on such terms and conditions as he thinks just.

"Concessions for the development of the natural resources of the territory shall be granted by the Mandatory without distinction on grounds of nationality between the nationals of all States Members of the League of Nations, but on such conditions as will maintain intact the authority of the local Government.

"Concessions having the character of a general monopoly shall not be granted. This provision does not affect the right of the Mandatory to create monopolies of a purely fiscal character in the interest of the territory under mandate and in order to provide the territory with fiscal resources which seem best suited to the local requirements; or, in certain cases, to carry out the development of natural resources, either directly by the State or by a controlled agency, provided that there shall result therefrom no monopoly of the natural resources for the benefit of the Mandatory or his nationals, directly or indirectly, nor any preferential advantage which shall be inconsistent with the economic, commercial and industrial equality hereinbefore guaranteed.

"The rights conferred by this article extend equally to companies and associations organised in accordance with the law of any of the Members of the League of Nations, subject only to the requirements of public order, and on condition of compliance with the local law.

"ARTICLE 7

"The Mandatory shall ensure in the territory complete freedom of conscience and the free exercise of all forms of worship which are consonant with public order and morality; missionaries who are nationals of States Members of the League of Nations shall be free to enter the territory and to travel and reside therein, to acquire and possess property, to erect religious buildings and to open schools throughout the territory; it being understood, however, that the Mandatory shall have the right to exercise such control as may be necessary for the maintenance of public order and good government, and to take all measures required for such control.

"ARTICLE 8

"The Mandatory shall apply to the territory any general international conventions applicable to his contiguous territory.

"ARTICLE 9

"The Mandatory shall have full powers of administration and legislation in the area, subject to the mandate. This area shall be administered in accordance with the laws of the Mandatory as an integral part of his territory and subject to the above provisions.

"The Mandatory shall therefore be at liberty to apply his laws to the territory subject to the mandate with such modifications as may be required by local conditions, and to constitute the territory into a customs, fiscal or administrative union or federation with the adjacent territories under his sovereignty or control, provided always that the measures adopted to that end do not infringe the provisions of this mandate.

"ARTICLE 10

"The Mandatory shall make to the Council of the League of Nations an annual report, to the satisfaction of the Council, containing full information concerning the measures taken to apply the provisions of this mandate.

"ARTICLE 11

"The consent of the Council of the League of Nations is required for any modification of the terms of this mandate.

"ARTICLE 12

"The Mandatory agrees that, if any dispute whatever should arise between the Mandatory and another Member of the League of Nations relating to the interpretation or the application of the provisions of the mandate, such dispute, if it cannot be settled by negotiation, shall be submitted to the Permanent Court of International Justice provided for by article 14 of the Covenant of the League of Nations"; and

Whereas the Government of His Britannic Majesty and the Government of the United States of America are desirous of reaching a definite understanding as to the rights of their respective Governments and of their nationals in the said territory:

The President of the United States of America and His Britannic Majesty have decided to conclude a convention to this effect, and have named as their plenipotentiaries:—

The President of the United States of America:

His Excellency the Honourable Frank B. Kellogg, Ambassador Extraordinary and Plenipotentiary of the United States at London:

His Majesty the King of the United Kingdom of Great Britain and Ireland and of the British Dominions beyond the Seas, Emperor of India:

The Right Honourable Joseph Austen Chamberlain, M. P., His Majesty's Principal Secretary of State for Foreign Affairs:

who, after having communicated to each other their respective full powers, found in good and due form, have agreed as follows:—

ARTICLE 1

Subject to the provisions of the present convention, the United States consents to the administration by His Britannic Majesty, pursuant to the aforesaid mandate, of the former German territory described in article 1 of the mandate, hereinafter called the mandated territory.

ARTICLE 2

The United States and its nationals shall have and enjoy all the rights and benefits secured under the terms of articles 2, 3, 4, 5, 6, 7, 8 and 9 of the mandate to Members of the League of Nations and their nationals, notwithstanding the fact that the United States is not a Member of the League of Nations.

ARTICLE 3

Vested United States property rights in the mandated territory shall be respected and in no way impaired.

ARTICLE 4

A duplicate of the annual report to be made by the Mandatory under article 10 of the mandate shall be furnished to the United States.

ARTICLE 5

Nothing contained in the present convention shall be affected by any modification which may be made in the terms of the mandate as recited above, unless such modification shall have been assented to by the United States.

ARTICLE 6

The Extradition treaties and conventions in force between the United States and the United Kingdom shall apply to the mandated territory.

ARTICLE 7

The present convention shall be ratified in accordance with the respective constitutional methods of the High Contracting Parties. The ratifications shall be exchanged at London as soon as practicable. It shall take effect on the date of the exchange of ratifications.

In witness whereof, the undersigned have signed the present convention, and have thereunto affixed their seals.

Done in duplicate at London, this 10th day of February, 1925.

[SEAL] FRANK B. KELLOGG
[SEAL] AUSTEN CHAMBERLAIN

STATEMENT BY THE BRITISH GOVERNMENT REGARDING TREATMENT OF AMERICAN NATIONALS AND GOODS IN TERRITORIES UNDER BRITISH "C" MANDATES

800.01 M 31/213

The Chargé in Great Britain (Sterling) to the Secretary of State

No. 1111

LONDON, *March 16, 1925.*

[Received March 26.]

SIR: Referring to my despatch No. 1096 dated March 5, 1925,⁸ concerning the proposed "C" mandate treaties, I have the honor to enclose a copy, in triplicate, of the formal reply of the British Government addressed to me under date of March 14, which has just been received.

It will be seen from the reply that the Governments of the Dominions are unwilling to comply in full with some of the claims advanced by the United States Government, but are willing to enter into a binding engagement "that so long as the terms of the mandates remain unaltered, United States nationals and goods will be treated in all respects on a footing equal to that enjoyed by the nationals and goods of any state member of the League of Nations, with the exception of those within the British Empire, subject only to the proviso that this shall not involve the violation of any existing treaty engagements towards third parties."

I have [etc.]

F. A. STERLING

[Enclosure]

*The British Secretary of State for Foreign Affairs (Chamberlain)
to the American Chargé (Sterling)*

No. W 1946/5/98

[LONDON,] *14 March, 1925.*

SIR: His Majesty's Government have been in consultation with the governments of the self-governing dominions in the matter of the wishes of the Government of the United States of America in regard to the treatment of United States nationals and goods in the territories administered under the British "C" mandates.

2. As the United States Government were assured in the notes from the Marquess Curzon of Kedleston to Mr. Harvey of the 22nd and 29th December, 1921,⁹ dealing with Palestine and with the territories in Africa administered under "B" mandates, His Majesty's Government had never desired to deprive the United States of the fruits of a victory to which they had so generously

⁸ Not printed.

⁹ *Foreign Relations, 1921*, vol. II, pp. 111 and 115; the note of Dec. 29, 1921, was signed by the British Secretary of State for Foreign Affairs, Sir Eyre A. Crowe.

contributed, and were willing to meet the wishes of the United States as regards the treatment of their nationals in those territories subject to the obligations imposed upon them by their existing treaty engagements. In this spirit His Majesty's Government entered upon the negotiation of treaties to regulate the position of the United States in the territories in question and have, as you are aware, concluded such treaties in terms satisfactory to your government.

3. The contents of Mr. Harvey's several notes, the last of which was dated the 25th October, 1923,¹⁰ dealing with the territories administered under "C" mandates have been carefully examined with the object of determining how far it is possible to adopt in these territories a procedure similar to that followed in the case of the territories referred to in the preceding paragraph. This examination has led both His Majesty's Government and the Governments of the Dominions to the conclusion that it will not be possible to treat the "C" mandated territories on the same footing as those administered under the "A" and "B" mandates for the following reasons:

4. The terms of the different types of mandate vary fundamentally and this variation has its basis in the terms of the Treaty of Versailles.¹¹ It is true that the United States have not ratified that treaty, but that does not alter the fact that, as between Germany and those powers which have ratified it, those provisions are binding. Under article 119 of the treaty Germany renounced "in favour of the Principal Allied and Associated Powers all her rights and titles over her oversea possessions." Under article 22 those possessions situated in South West Africa and the Southern Pacific were assigned to the mandatory with provision for their administration "under the laws of the mandatory as integral portions of its territory." This provision was incorporated in the terms of the "C" mandates which, as your Government are aware, have been approved and confirmed by the Council of the League of Nations.

5. The Government of the United States will remember that the plenipotentiaries representing the Commonwealth of Australia, New Zealand and the Union of South Africa refrained from pressing the question of the annexation of these particular territories at the earnest request of the United States Government or president at the time, but only on the express understanding that in return for accepting, instead, mandates over these territories, they would be free to administer them as integral parts of the mandatory dominions. It is impossible now to admit any departure from this express understanding.

¹⁰ See Department's telegram No. 287, Oct. 18, 1923, 6 p. m., to the Ambassador in Great Britain, *ibid.*, 1923, vol. II, p. 235.

¹¹ Malloy, *Treaties*, 1910-1923, vol. III, p. 3329.

6. Apart from these considerations, the governments of the dominions would be unable, for reasons of a practical and physical nature, to comply in full with some of the claims advanced by the United States Government. With the object nevertheless of testifying to their friendly sentiments towards the United States, they are willing that an assurance should be given, embodied, if desired, in the form of a binding engagement, that so long as the terms of the mandates remain unaltered, United States nationals and goods will be treated in all respects on a footing equal to that enjoyed by the nationals and goods of any state member of the League of Nations, with the exception of those within the British Empire, subject only to the proviso that this shall not involve the violation of any existing treaty engagements towards third parties.

I have [etc.]

(In the absence of the Secretary of State)

G. H. VILLIERS

800.01 M 31/213 : Telegram

The Secretary of State to the Chargé in Great Britain. (Sterling)

WASHINGTON, April 25, 1925—5 p. m.

133. Your despatch 1111, March 16.

(1) Please reply as follows:

"I have the honor to acknowledge the receipt of Mr. Villiers' note of March 14, 1925, with respect to the British "C" mandates.

I note the assurance given that 'so long as the terms of the mandates remain unaltered, United States nationals and goods will be treated in all respects on a footing equal to that enjoyed by the nationals and goods of any state member of the League of Nations, with the exception of those within the British Empire, subject only to the proviso that this shall not involve the violation of any existing treaty engagements towards third parties.'

In due course I shall communicate to you the views of my Government with respect to the points raised in your communication under acknowledgment."¹²

(2) Please informally request information with respect to the nature of "any existing treaty engagements toward third parties" of the nature referred to in the passage quoted above, and telegraph brief report.

KELLOGG

¹² Apparently the further communication contemplated was not made.

800.01 M 31/215 : Telegram

The Ambassador in Great Britain (Houghton) to the Secretary of State

LONDON, June 12, 1925—noon.

[Received June 12—8:23 a. m.]

172. Your 133, April 25, 5 p. m. I am informally advised by the Foreign Office that so far as it is aware there are no existing treaty engagements towards third parties affecting the territories in question and that the proviso was inserted merely as a precaution of a general nature.

HOUGHTON

DELAY IN EXCHANGE OF RATIFICATIONS OF THE PALESTINE MANDATE CONVENTION PENDING ADJUSTMENT OF CASES INVOLVING THE CAPITULATORY RIGHTS OF AMERICANS¹³

867n.01/421 : Telegram

The Chargé in Great Britain (Sterling) to the Secretary of State

LONDON, March 7, 1925—11 a. m.

[Received March 7—10:45 a. m.]

94. The Foreign Office having heard from Sir Esme Howard¹⁴ that the Palestine mandate treaty¹⁵ has been ratified by the Senate, asks me by an informal communication whether we are ready to proceed to the exchange of ratifications.

STERLING

867n.01/421

The Secretary of State to the Chargé in Great Britain (Sterling)

No. 631

WASHINGTON, April 21, 1925.

SIR: The Department has received your telegram No. 94 of March 7, 1925, wherein you report that the Foreign Office has been informed by the British Ambassador in Washington that the United States Senate has advised and given its consent to the ratification of the Convention between the United States and Great Britain, signed at London on December 3, 1924, with respect to the rights of the two Governments and their nationals in Palestine. It is noted that, in an informal communication, the Foreign Office has asked whether this

¹³ For previous correspondence concerning efforts to maintain American capitulatory rights in Palestine, see *Foreign Relations*, 1924, vol. II, pp. 197 ff.

¹⁴ British Ambassador at Washington.

¹⁵ Convention of Dec. 3, 1924, between the United States and Great Britain, *Foreign Relations*, 1924, vol. II, p. 212.

Government is prepared to proceed to the exchange of ratifications of this Convention.

Your telegram raises again the questions which were the subject of the Embassy's telegram No. 516 of December 11 and the Department's reply No. 473 of December 17, 1924,¹⁶ i. e.

(1) The status of certain cases, involving American citizens or interests, adjudicated by the Palestine Courts in contravention of the capitulatory rights of the United States and in disregard of the provisional arrangement, made in 1922 and 1923 between the American Consul at Jerusalem and the Legal Secretary of the Palestine Government,¹⁷ as to the procedure to be followed in civil and criminal cases arising in Palestine in which American citizens or interests should be defendants, and

(2) The necessity of this Government's assent to the imposition upon American citizens or interests of any dues or taxes not contemplated by the capitulatory regime or to the collection from its nationals or interests of any increase in such dues or taxes.

Since the receipt of your above-mentioned telegram of March 7, 1925, the Department has communicated by telegram with the Consul at Jerusalem¹⁸ with a view to obtaining a recapitulation of all matters in which the Palestine authorities would appear to have taken action prejudicial to the rights of American citizens or interests as outlined above. In reply, the Consul reports¹⁹ that, in disregard of the agreement between the Consulate and the Legal Secretary, eight judgments against American citizens or interests have been rendered by the Palestine Courts, that two of such judgments have been executed without the assistance of the Consulate and that there is now pending in a Palestine Court one case wherein an American citizen is named as defendant. The Consul adds that, in each of the cases referred to, he has lodged a written protest against the action of the Palestine authorities.

In making such protests the Consul has based his action on the following considerations: Article 8 of the Convention of December 3, 1924, provides that it shall enter into effect only upon the exchange of ratifications by the contracting parties; Article 8 of the Mandate for Palestine (incorporated in the preamble to the Convention) provides that, during the period of the Mandate, "the privileges and immunities of foreigners, including the benefits of consular jurisdiction and protection as formerly enjoyed by capitulation or usage in the Ottoman Empire, shall not be applicable in Palestine"; and the United States Government has consistently maintained the position that the privileges and immunities in question could be relinquished

¹⁶ *Foreign Relations, 1924*, vol. II, p. 202.

¹⁷ See *ibid.*, 1923, vol. II, pp. 218 ff.

¹⁸ Not printed.

¹⁹ By telegram of Mar. 26, 1925; not printed.

only by treaty agreement. The conclusion logically to be drawn from the foregoing considerations was that, pending the exchange of ratifications of the Convention of December 3, 1924, the Consul at Jerusalem should continue to exercise extraterritorial jurisdiction in cases, involving American citizens, which, under the capitulatory regime, were properly within the jurisdiction of the American Consular Court.

That this conclusion was accepted in principle is shown by the above-mentioned agreement concluded in 1922 and 1923 between the Consulate and the Legal Secretary of the Palestine Government. The detailed scope of this provisional agreement is set forth in the enclosures to the Department's instruction No. 977 of October 4, 1923,²⁰ which enclosures the Department desires you to study carefully in connection with its present instruction.

You will also find in the Department's instruction No. 977 of October 4, 1923, a discussion of the circumstances which, in certain cases, led to the non-application of the terms of this provisional agreement. In this connection reference is also made to the Department's instruction No. 1004 of October 30, 1923,²¹ transmitting a copy of a judgment, rendered by the Palestine Court of Appeals, in which the Court set forth its reasons for not following the procedure provided for in the provisional agreement. It is presumably under the provisions of this judgment that the Palestine Courts have taken cognizance of the nine cases involving American citizens to which reference has been made above. For the reasons already stated, however, the conclusions of the Palestine Court of Appeals were unacceptable to this Government, and in each of the nine cases in question, a formal written protest was made by the Consul at Jerusalem to the proper authorities of the Palestine Government.

These reasons persist today, and before proceeding to the exchange of ratifications of the Convention of December 3, 1924, the Department desires you to ascertain whether the British Government is prepared to give assurances in the following sense:

- (1) That the pending case will be dropped,
- (2) That the two judgments, already rendered by the Palestine Courts and executed in disregard of the provisional agreement, will be cancelled and that sums collected from American citizens without the assistance of the Consulate will be refunded, and
- (3) That the six judgments, already rendered but not as yet executed, will not be executed after the exchange of ratifications.

The Department desires that you discuss this question informally with the proper official of the Foreign Office and report the results of your representations. In such conversations you may add that,

²⁰ *Foreign Relations, 1923*, vol. II, p. 222.

²¹ Not printed.

after the entering into effect of the Convention of December 3, 1924, this Government would, of course, have no objection to the retrial of the nine cases in question. You may suggest also that a further reason for desiring these assurances is that, in some, if not all, of the cases in question, judgment was rendered *in absentia*, the American defendant having absented himself from the court of trial upon the advice of the American Consulate and as a protest against the assumption of jurisdiction by the Palestine Court.

You will be careful, in your conversations at the Foreign Office, to reserve for further discussion the question of the imposition upon American nationals of the increased Palestine import duties which have not received the assent of this Government. That question will be made the subject of a separate instruction which will be sent to you at an early date.

I am [etc.]

FRANK B. KELLOGG

867n.01/428

*The Secretary of State to the Ambassador in Great Britain
(Houghton)*

No. 68

WASHINGTON, June 23, 1925.

SIR: The Department refers to its written instructions Nos. 631 and 34 of April 21 and May 29, 1925, respectively,²³ in the matter of the assurances desired by this Government from the British Government in connection with the ratification of the convention between the United States and Great Britain, signed at London on December 3, 1924, with respect to the rights of the two governments and their nationals in Palestine.

The Embassy's memorandum of May 4, 1925, based on the Department's instruction No. 631 of April 21, 1925, above mentioned, sets forth the assurances desired by this Government with regard to certain judicial questions arising out of the projected suspension of the extraterritorial privileges enjoyed by the United States in Palestine. In concluding this memorandum the Embassy states:

"The question of the imposition upon American nationals of the increased Palestine import duties which have not received the assent of the United States Government is reserved for further discussion."

The imposition of the increased import duties referred to in this reservation was the subject of a general protest made by the American Consul at Jerusalem upon the occasion of the announcement of the increased duties. The only specific case in which a formal protest

²³ Latter not printed.

has been made to the Palestine Government is, however, that of Elimelech Sachs, which was the subject of the Department's telegram No. 323 of September 15 and its written instruction No. 387 of October 20, 1924.²⁴ It is reported by the American Consul at Jerusalem that apparently no objection has been raised by other American importers in Palestine to the payment of the increased duties affecting their importations. The duties affecting such importations are understood to have been increased by only three per cent. ad valorem, whereas the increase affecting the importation of matches by Mr. Sachs was approximately two thousand per cent.

The pertinent facts in the case of Mr. Sachs are as follows:

On August 15, 1924, there was published in the *Official Gazette* of the Palestine Government the text of an ordinance, entitled "The Customs Duties Amendment Ordinance 1924", providing for certain changes in the Palestine tariff. One of the changes thus set forth increased the duty on matches from 11 per cent. ad valorem to P. T. 20 per gross boxes, not exceeding 10,000 matches, an increase approximately from P. T. 75 to P. T. 1,000 per shipping case of matches. The collection of duties under this ordinance was begun on August 16. Sometime previous to the promulgation of this ordinance (it is stated "in July") Mr. Elimelech Sachs, an American citizen, had ordered a quantity (350 shipping cases or 17,500 gross boxes) of matches. His shipment arrived in Palestine on August 18, and duty was assessed thereon in the amount of L. E. 3,500 under the new tariff instead of L. E. 180 under the old tariff. The difference L. E. 3,320 was equivalent to slightly over \$15,000 at the then prevailing rate of exchange. Mr. Sachs declined to pay the increased duty and protested to the Consul at Jerusalem. The Consul addressed a formal protest to the Palestine Government and informed the Department, which, through the Embassy at London, brought the matter to the attention of the British Foreign Office. On December 3 the Foreign Office inquired through the Embassy²⁵ whether, in view of the signature of the Palestine Mandate Convention, it was desired to pursue further, amongst others, this matter. In replying under date of December 17,²⁶ the Department stated, in part:

"This Government's position regarding the indispensability of its assent to any dues or taxes to be imposed upon Americans in Palestine prior to the coming into effect of the Mandate Convention has not been changed by the signature of that convention. Meanwhile the Department would, however, be disposed to give favorable consideration to any reasonable request of the Mandatory Power that the

²⁴ Neither printed.

²⁵ See telegram No. 516, Dec. 11, 1924, 4 p. m., from the Ambassador in Great Britain, *Foreign Relations*, 1924, vol. II, p. 202.

²⁶ *Ibid.*, p. 202.

United States assent to the collection of increased dues or taxes from Americans in Palestine as from the date of the communication of its assent to the British Government. A similar procedure was followed with respect to a contemplated increase of customs dues in Syria²⁷ shortly after signature of the Syrian mandate convention between the United States and France."²⁸

Apparently no further action has been taken in this matter by the British Foreign Office, other than in its informal inquiry of March 7, 1925, through the Embassy, whether this Government was prepared to proceed to an exchange of ratifications of the Palestine Mandate Convention.

From a report dated March 4, 1925, from the American Consul at Jerusalem²⁹ it would appear that, pending a decision as to the admissibility of this consignment under the previously prevailing duty, it has been refused entry except upon payment of the increased duty and has been held in the customs bonded warehouse at the port of Jaffa, where it has become subject to considerable storage charges. It appears to be clearly established that this shipment was such as might reasonably have been made to Mr. Sachs in the normal course of his dealings in matches and that his order therefor was not placed with any knowledge of or in anticipation of the subsequent increase in the Palestine import duty as affecting this commodity. Nor does there appear to be any doubt that, should he now be required to enter this shipment at the new rate of duty, he would sustain a considerable actual pecuniary loss. From a further report from the Consul at Jerusalem, dated June 17, 1925,²⁹ it appears that such actual loss "would be 1400 Egyptian pounds besides accrued interest and storage charges". The principal item included in this loss, that of 1400 Egyptian pounds, is attributed to the circumstance that "owing to active smuggling from Syria and Trans-Jordan matches are now sold here (Jerusalem) at a price that scarcely pays new duty, not to mention original costs".

It will be obvious to the British Government that under the circumstances Mr. Sachs was entitled to have his shipment of matches enter at the former rate of duty which would have amounted to L. E. 180, instead of at the new rate which amounted to L. E. 3500. It is realized, however, that this would have allowed him a considerable advantage over competitors paying the new rate of duty by permitting him to undersell his competitors and still obtain a very large percentage of profit. While this Government does not desire to take advantage of the situation by insisting, as it might well do, that the

²⁷ See *Foreign Relations*, 1924, vol. I, pp. 747-749.

²⁸ For text of convention, see *ibid.*, p. 741.

²⁹ Not printed.

matches should be entered at the duty obtaining at the time the purchase was made, it does consider that it is under the necessity of protecting Mr. Sachs against loss. This, it is believed, might be accomplished were the Palestine authorities who are now detaining Mr. Sachs' matches to take over the shipment *in toto* and pay to him an amount which would reimburse him for his outlay and allow a reasonable profit, or were they to release the goods to him under such circumstances as will make such result possible. Should this second course be followed the Department is of the opinion that (1) accrued storage dues on the shipment of matches to Mr. Sachs should be remitted, (2) he should be indemnified for the difference between the market value in Palestine of the shipment and its original cost plus the present customs duty thereon, (3) he should be relieved of any loss of accrued interest he may have sustained, and (4) he should receive an amount equal to such reasonable profit as might have accrued on the sale of this shipment had the new duty not been put into effect.

The foregoing discussion of the case of Mr. Elimelech Sachs is communicated to you to the end that, providing the British Government is prepared to give the desired assurances with regard to the judicial questions which were the subject of the Department's instruction No. 631 of April 21, 1925, you may be able to discuss informally with the British Foreign Office the further assurances desired by this Government in connection with the exchange of ratifications of the Palestine Mandate Convention. In discussing the case of Mr. Sachs with the British Foreign Office, you should point out that the Department, in again raising this question at this time, does not desire in any way to place any unnecessary difficulties in the way of the coming into effect of the Convention at the earliest possible moment, and that it is not disposed to make an issue of the omission of the British Government to seek and obtain the assent of this Government to the increase of the Palestine tariff affecting the shipment of Mr. Sachs. It is, however, the Department's opinion, an opinion in which it is believed the British Government will readily concur, that, in the circumstances of the case of Mr. Sachs, adequate provision should be made to obviate the possibility of his sustaining any loss as a result of the application to his shipment of matches of the increased tariff of August 15, 1924.

In conclusion, you may, in your discretion, inform the Foreign Office that, should the British Government be prepared to give the desired assurances in connection with the case of Mr. Sachs, this Government will raise no further objection to the action of the British authorities, in providing for an increase in the Palestine tariff and in applying such tariff to the merchandise of American nationals,

without first ascertaining that such increase was acceptable to this Government.

Enclosed with this instruction is this Government's signed original of the Palestine Mandate Convention,³⁰ ratified by the President under date of March 2, 1925. You will, of course, retain this document in your possession until the Department, after the receipt and consideration of your reports pursuant to its instruction No. 631 of April 21, 1925, and to this instruction, shall have authorized you to effect the exchange of ratifications.

I am [etc.]

FRANK B. KELLOGG

867n.01/442

The Counselor of Embassy in Great Britain (Sterling) to the Chief of the Division of Near Eastern Affairs (Dulles)

LONDON, *September 29, 1925.*

[Received October 14.]

DEAR ALLEN: Oliphant, of the Foreign Office,³¹ handed me the enclosed today which I am sending you in great haste and without much comment as the pouch leaves almost immediately.³² The document is a suggested reply to the Department's representations against the decisions rendered by the Palestine Courts against American citizens and the increased customs dues imposed on Mr. Sachs, and is an attempt to bring to a friendly conclusion the whole vexatious question. He tells me that the Foreign Office has labored very hard with the Colonial Office in order to get as much as is contained in the reply and that he believes it will be difficult to secure any further concessions from the latter. He prefers, however, to get your views as to whether the proposed settlement will be satisfactory to the State Department before sending an official answer which might not be acceptable to you, and consequently again postpone an arrangement.

I think that Oliphant is quite sincere in his statement that he has worked very hard on this matter, realizing the justice of the American point of view, but at the same time feeling that it is impracticable to nullify and reverse action already taken by the Palestine Government. He assures me that the Foreign Office will do everything in its power to prevent further complications after the exchange of ratifications.

If you will telegraph me briefly after considering the proposed reply whether it is satisfactory or not, I will so inform Oliphant. If

³⁰ Printed in *Foreign Relations*, 1924, vol. II, p. 212.

³¹ Lancelot Oliphant, head of the Eastern Department, British Foreign Office.

³² The enclosed document is identical with the note from the British Secretary of State for Foreign Affairs to the American Ambassador, Oct. 13, 1925, p. 226.

your telegram states that such a reply would be acceptable Oliphant promises to write officially to the Embassy at once.

Yours very sincerely,

F. A. STERLING

867n.01/442

*The Secretary of State to the Ambassador in Great Britain
(Houghton)*

No. 224

WASHINGTON, October 13, 1925.

SIR: The Department desires to confirm its telegram of even date³³ informing you that it would be prepared to authorize you to proceed to the exchange of ratifications of the Palestine Mandate Convention upon receipt, in official form, of the suggested reply from the Foreign Office to the questions raised in the Department's instructions Nos. 631 and 68 of April 21 and June 23, 1925, respectively, regarding the rights of the United States and its nationals in Palestine pending the entering into force of the Convention signed December 3, 1924.

If, therefore, the Foreign Office addresses you a note in the form indicated in the enclosure to Mr. Sterling's letter of September 29, 1925, as a reply to the Embassy's memoranda of May 4 and July 3, 1925, based respectively on the Department's instructions above mentioned, you may address an acknowledgment to the British Foreign Office in the following sense:

I have the honor to acknowledge the receipt of Your Excellency's note of, 1925, in reply to the Embassy's note of December 19, 1924,³⁴ and memoranda of May 4 and July 3, last, relative to the position of American nationals in Palestine prior to the entering into force of the Palestine Mandate Convention signed December 3, 1924.

In reply I am directed to inform Your Excellency of the satisfaction with which my Government has noted the sympathetic consideration which has been accorded the communications which I had the honor to address to you on this subject, with a view to finding a mutually satisfactory basis for the settlement of the questions at issue. I take pleasure in informing you that my Government has authorized me to convey to Your Excellency its acquiescence in the suggestion that as regards the questions of principle which have arisen with respect to the status of the capitulatory rights of American citizens in the mandated territory of Palestine pending the coming into force of the Convention each government should take note of the view held by the other. Further consideration of this question is rendered unnecessary, as far as Palestine is concerned, in view of the practical steps

³³ Evidently refers to telegram No. 308, Oct. 12, 6 p. m., not printed.

³⁴ Not printed; see telegram No. 473, Dec. 17, 1924, 4 p. m., to the Ambassador in Great Britain, *Foreign Relations*, 1924, vol. II, p. 202.

which His Majesty's Government, on behalf of the Palestine Government, has indicated its readiness to take in the individual cases which the Embassy has had the honor to bring to Your Excellency's attention. Upon the exchange of ratifications of the Convention the situation will be automatically regularized.

In conclusion, I am directed by my Government to inform Your Excellency that, as a result of the present exchange of notes, I shall be pleased, at your convenience, to proceed to the exchange of ratifications of the Palestine Mandate Convention of December 3, 1924.

I am [etc.]

FRANK B. KELLOGG

867n.01/444

The Ambassador in Great Britain (Houghton) to the Secretary of State

No. 431

LONDON, October 14, 1925.

[Received October 27.]

SIR: Referring to my telegram No. 318 of October 14, 12 noon, 1925,³⁶ I have the honor to enclose a copy, in triplicate, of a note from the Foreign Office, dated October 13, 1925, relative to the Palestine Mandate Convention.

I have [etc.]

For the Ambassador:

F. A. STERLING
Counselor of Embassy

[Enclosure]

*The British Secretary of State for Foreign Affairs (Chamberlain) to the American Ambassador (Houghton)*³⁷

No. E 4182/214/65

[LONDON,] 13 October, 1925.

YOUR EXCELLENCY: I have the honour to inform you that His Majesty's Government have considered sympathetically the various questions dealt with in Your Excellency's note of December 19th 1924,³⁸ and memoranda of May 4th³⁹ and July 3rd last,⁴⁰ relative to the position of United States citizens in Palestine prior to and pending the entry into force of the Anglo-American Palestine Mandate Convention of December 3rd 1924. His Majesty's Government understand that the United States Government desire to reach a friendly settlement of

³⁶ Not printed.

³⁷ For the American Ambassador's reply to this note, see Department's instruction No. 224 to the Ambassador in Great Britain, *supra*.

³⁸ See telegram No. 473, Dec. 17, 1924, 4 p. m., to the Ambassador in Great Britain, *Foreign Relations*, 1924, vol. II, p. 202.

³⁹ See instruction No. 631, Apr. 21, 1925, to the Chargé in Great Britain, p. 217.

⁴⁰ See instruction No. 68, June 23, 1925, to the Ambassador in Great Britain, p. 220.

the outstanding cases that have arisen in connection with this subject, before the Convention concerned is actually brought into force by the formal exchange of the ratifications which have already taken place. As from the date of this exchange the position will of course be fully regularised, and no further cases of this type can arise. It is therefore desirable from every point of view that the exchange of ratifications should take place with the least possible delay.

2. The particular cases of which a settlement is desired fall into two main categories—administrative and legal. As regards the former, His Majesty's Government fully understand the position taken up by the Government of the United States, that their prior assent is indispensable to the imposition of any dues or taxes upon United States citizens in Palestine pending the entry into force of the Convention. His Majesty's Government realize, moreover, that this position has not been changed by the mere signature of the Convention. It appears, however, that only one case in this category—that of Mr. Sachs—has formed the subject of protest by the United States authorities. I understand from your memorandum of July 3rd last that the views of your government in this matter could be satisfactorily met by the remittance of the accrued storage dues on the shipment of matches to Mr. Sachs; by his indemnification for the difference between the market value in Palestine of the shipment and its original cost, together with the present Customs duty thereon; by Mr. Sachs being relieved of any loss of accrued interest which he may have sustained as a result of the action of the Palestine authorities in this matter; and by his receiving an amount equal to such reasonable profit as might have accrued on the sale of this shipment had the new duty not been put into effect. His Majesty's Government while adhering to their own views in regard to the questions of principle involved, which, as you are aware, are in conflict with those held by your government, are willing to undertake, on behalf of the Palestine Government, that the steps suggested above as regards the particular case of Mr. Sachs' shipment of matches will be taken by the Palestine Government immediately after the entry into force of the Convention. As regards the question of principle, His Majesty's Government consider now that adequate provision has been made for the future, the situation will be adequately met if each government takes formal note of the view held by the other, while at the same time expressing its regret that it is unable on grounds of principle to conform thereto.

3. With regard to the Skora case⁴¹ and other cases involving the question of jurisdiction over American citizens prior to the entry

⁴¹ See telegram No. 365, Oct. 18, 1924, 2 p. m., to the Ambassador in Great Britain, *Foreign Relations*, 1924, vol. II, p. 201.

into force of the Palestine Mandate Convention, His Majesty's Government notice with satisfaction that the United States Government have no objection to the retrial by the Palestinian Courts of the cases concerned, but regret that it is not possible for them to take the measures suggested in your notes under reply. Such measures would involve *ex post facto* legislation of the kind which is as contrary to British as to United States constitutional practice. Here again it appears that the only solution is that suggested above: that is, for each government to take formal note of the view held by the other, while expressing its regret that it is unable on principle to conform to it.

4. If there is any civil case, however, in which a United States citizen has refused to appear in the Palestinian courts, relying upon his rights under the former capitulatory system, and where he alleges that he had a good defence and that, had he appeared, the judgment would therefore not have been entered against him, the Palestinian Government will be prepared to request the Chief Justice, or some other responsible officer, to investigate the case. Should this officer, as a result of his investigations, form the opinion that the defence, which would have been put forward by the American citizen had he appeared, would have succeeded, His Majesty's Government will undertake that the Palestine Government will offer fair compensation to the United States citizen concerned as an act of diplomatic courtesy not affecting the question of principle involved.

5. It does not appear to His Majesty's Government that any useful purpose would be served by a further discussion of the complicated legal position arising out of the abolition of the capitulations prior to the entry into force of the Convention. It is apparent that the views held by His Majesty's Government, as Mandatories for Palestine, and those held by the United States Government on this matter cannot be reconciled, and, in view of the conclusion of the Mandate Convention, further attempts to reconcile these views appear unnecessary. His Majesty's Government have, however, no desire to obtain from the Government of the United States any formal abandonment of the capitulatory rights of United States citizens in Palestine prior to the entry into force of the Convention. On the contrary, they readily take formal note of the fact that the claim to these rights was not abandoned by the United States Government. At the same time they feel convinced that the United States Government will equally appreciate the position of His Majesty's Government, and will as a friendly act refrain from pressing them to recede therefrom.

I have [etc.]

(In the absence of the Secretary of State)

LANCELOT OLIPHANT

867n.01/446 : Telegram

The Ambassador in Great Britain (Houghton) to the Secretary of State

LONDON, November 24, 1925—10 a. m.

[Received November 24—7:09 a. m.]

356. Department's 344, November 23, 3 p. m.⁴² Informally advised by Foreign Office that I may expect reply to Embassy's note based on Department's instruction number 224, October 13th, to be somewhat further delayed due to inundation of work on Treaty Department caused by recent royal death.

HOUGHTON

867n.01/446 : Telegram

The Secretary of State to the Ambassador in Great Britain (Houghton)

WASHINGTON, November 28, 1925—6 p. m.

349. Your 356, November 24, 10 a. m. Department is at loss to understand the reason for delay in exchange of ratifications of Palestine Convention. Embassy's note, based on Department's instruction of October 13, was a reply to the Foreign Office communication of that date and does not necessitate further correspondence or require any other action than formal exchange of ratifications.

In note of October 13 Foreign Office stated "It is desirable from every point of view that the exchange of ratifications should take place with the least possible delay". To meet this desire, and because the Department appreciated the difficulty of attempting final determination of the conflicting legal viewpoints advanced, the assurances in British note were accepted as a basis for exchange of ratifications.

With existing troubled situation in the mandate territories, it is important for the Department to know promptly whether it can depend upon treaty arrangements for the determination of its rights.

Orally present these considerations to Foreign Office and endeavor to arrange prompt exchange of ratifications. Telegraph result of your representations.

KELLOGG

⁴² Not printed.

867n.01/448 : Telegram

The Ambassador in Great Britain (Houghton) to the Secretary of State

LONDON, December 3, 1925—4 p. m.

[Received December 3—3:42 p. m.]

370. My 366, November 30, 6 p. m.⁴³ Ratifications exchanged this afternoon.

HOUGHTON

DISSATISFACTION OF THE UNITED STATES WITH THE DECISION RELATING TO THE IRAQ MANDATE TAKEN BY THE COUNCIL OF THE LEAGUE OF NATIONS AT THE INSTANCE OF GREAT BRITAIN

890g.01/101a : Telegram

The Secretary of State to the Ambassador in Great Britain (Kellogg)

[Paraphrase]

WASHINGTON, October 21, 1924—7 p. m.

369. Department's 368, October 21, 6 p. m.⁴⁴ In connection with matters presented in that telegram you may find opportunity also to take up with the Foreign Office informally the situation which has developed because of the British procedure regarding the mandate for Mesopotamia.^{44a} There is reported in the minutes of the Council of the League for the 30th session, held on September 27, the adoption of the draft decision which the British submitted to the League with the object of defining British responsibilities and rights in Iraq.⁴⁵ The American Government was not consulted regarding this decision nor was informed of the proposed action.

You will recall the exchange of communications regarding Palestine and the view which we have held consistently that this Government has a right to be consulted regarding dispositions made with respect to territories under mandate. The resolution adopted by the League on the initiative of the British Government purports to deal with the capitulatory rights of foreigners in Iraq. It fails apparently to include provisions which might help to guard against improper monopolies and protect the principle of equality of opportunity in Iraq. I am at a loss to understand the action of the British Government in proceeding in this matter as outlined above without conferring with our Government, in view of our long correspondence with their Gov-

⁴³ Not printed.

⁴⁴ *Foreign Relations, 1924*, vol. II, p. 64.

^{44a} For text of draft mandate for Mesopotamia, see *ibid.*, 1921, vol. I, p. 105.

⁴⁵ League of Nations, *Official Journal*, 5th year, No. 10, p. 1346.

ernment regarding principles applicable to territories under mandate and of the statement made in the fourth paragraph of the British note of December 29, 1921, transmitted to the Department in Embassy's No. 831 of December 30, 1921.⁴⁶

As the Department has just received the documents in the case and has not yet had opportunity for a thorough study of the matter, it is not desired that you make representations in writing at this time. It would be helpful, however, to have any information which you can secure through oral inquiry. Possibly you may find it advisable to mention this matter in the conversation which you will have in connection with Department's telegram 368.

HUGHES

890g.01/107: Telegram

The Ambassador in Great Britain (Kellogg) to the Secretary of State

LONDON, November 3, 1924—4 p. m.

[Received 5:05 p. m.]

449. Your 369, October 21, 7 p. m.,⁴⁷ and penultimate paragraph of my 442, October 28, 5 p. m.⁴⁸

In further conversation at the Foreign Office I am informed that the mandate for Mesopotamia was never submitted to the League of Nations by the British Government because of the susceptibilities of Iraq, but in its place the treaty of King Feisal was concluded,⁴⁹ embodying the essential provisions of the mandate. The decision of the Council of the League at its 14th meeting of the 30th session was a declaration to approve the British communication defining British rights and responsibilities in Iraq. The decision of the Council and the dependent treaty, the Foreign Office states, together constitute the mandate and therefore the question of discrimination is provided for.

KELLOGG

890g.01/125b

The Secretary of State to the Chargé in Great Britain (Sterling)

No. 627

WASHINGTON, April 20, 1925.

SIR: Referring to the Department's telegraphic instruction No. 369 of October 21, 1924, and to your telegraphic replies Nos. 442 and 449 of October 28 and November 3, 1924, respectively,⁵⁰ the Depart-

⁴⁶ *Foreign Relations*, 1921, vol. II, p. 115.

⁴⁷ *Supra*.

⁴⁸ *Foreign Relations*, 1924, vol. II, p. 68.

⁴⁹ Treaty of alliance and protocol between Great Britain and Iraq, signed Oct. 10, 1922, and Apr. 30, 1923, League of Nations, *Treaty Series*, vol. 35, p. 13; and four subsidiary agreements signed Mar. 25, 1924, *ibid.*, pp. 35, 103, 131, and 145.

⁵⁰ Telegrams Nos. 369 and 499 printed *supra*; telegram No. 442 printed in *Foreign Relations*, 1924, vol. II, p. 68.

ment desires to furnish you with the following résumé of its position with respect to the Decision relative to Iraq taken by the Council of the League of Nations, at the fourteenth meeting of its thirtieth session, held at Geneva on September 27, 1924. Reference is made also to your despatch No. 1037 of February 3, 1925,⁵¹ transmitting copies of a British Government publication entitled "Papers Relating to the Application to Iraq of the Principles of Article 22 of the Covenant of the League of Nations."⁵²

The evident effect of this action of the Council, apparently taken at the instance of the British Government, is the substitution of the Decision of September 27, 1924, (see copy annexed and hereinafter referred to as the Decision)⁵³ together with the Anglo-Iraq Treaty of October 10, 1922, the Protocol of April 30, 1923, and the Subsidiary Agreements of March 25, 1924, for the earlier Draft Mandate for Mesopotamia. In accordance with the Council's policy with reference to "A" Mandates, this earlier Draft Mandate for Mesopotamia followed the general lines of the Mandates adopted in the cases of Palestine and Syria.

You are already familiar with the correspondence which was carried on by this Government with the British Government and with the Council of the League of Nations between 1920 and 1922, with reference to the right of this Government to be consulted with respect to the form of the Mandatory arrangements for territories detached from Germany and her Allies as a result of the war. This Government in this correspondence further indicated its views with regard to the principles which it considered applicable to Mandated territories. A part of this correspondence, as you will recall, was published in British Parliamentary Paper, Cmd. 1226, Miscellaneous No. 10 (1921) entitled "Correspondence between His Majesty's Government and the United States Ambassador Respecting Economic Rights in Mandated Territories." More recent correspondence is contained in the Senate Document⁵⁴ enclosed with the Department's instruction No. 268, July 9, 1924.⁵⁵ Your attention is particularly directed to the portion of this document, pages 47 to 57, relating to Mesopotamia. Reference may be made also to the Monthly Political Report for January, 1924,⁵⁵ in which is given, on pages 27 to 29, a brief survey of developments in Mesopotamia during the period April 1920 to January 1924.

The Department's files indicate that the Anglo-Iraq Treaty, Protocol and Subsidiary Agreements were approved by the Iraq Con-

⁵¹ Not printed.

⁵² Great Britain, Cmd. 2317 (1925).

⁵³ *Ibid.*, p. 6.

⁵⁴ *Oil Concessions in Foreign Countries*, S. Doc. 97, 68th Cong., 1st sess.

⁵⁵ Not printed.

stituent Assembly on June 10, 1924; by the British House of Commons as a result of its approval on July 29, 1924, of the Government's Middle Eastern estimates; and by the Council of the League of Nations in accordance with the terms of its aforementioned Decision of September 27, 1924.

In considering the effect of the situation thus created in so far as it relates to American interests in Iraq, the Department has found helpful a detailed comparative examination of the Palestine Mandate,⁵⁶ on the one hand, and the corresponding Articles of the Anglo-Iraq Treaty, Protocol and Subsidiary Agreements and the Decision of September 27, 1924, on the other hand.

From such examination it does not appear that any of the latter instruments contain provisions which adequately safeguard this Government's position with respect to the Capitulations in the event of the termination of British responsibility in Iraq. The penultimate paragraph of the Decision provides:—

“that the privileges and immunities, including the benefits of consular jurisdiction and protection formerly enjoyed by capitulations or usage in the Ottoman Empire, will not be required for the protection of foreigners in Iraq so long as the Treaty of Alliance is in force.”

Article 8 of the Palestine Mandate, on the other hand, after reciting, in terms similar to those used above, that “the privileges and immunities of foreigners . . . shall not be applicable in Palestine,” concludes as follows:—

“Unless the Powers whose nationals enjoyed the aforementioned privileges and immunities on August 1, 1914, shall have previously renounced the right to their re-establishment, or shall have agreed to their non-application for a specified period, these privileges and immunities shall, at the expiration of the mandate, be immediately re-established in their entirety or with such modifications as may have been agreed upon between the Powers concerned.”

No similar modifying statement appears in the Anglo-Iraq Treaty or related documents.

Further, there do not appear to be, in the documents relating to Iraq, adequate provisions with respect to equality of economic opportunity in Mesopotamia or adequate safeguards against monopoly of the natural resources of that territory. From a review of this Government's earlier correspondence with the British Government with regard to Mandates, particularly those for Palestine and Mesopotamia, you will note that while, in view of the special conditions prevailing in Palestine, this Government did not insist on a special

⁵⁶ Quoted in convention between the United States and Great Britain regarding rights in Palestine, signed Dec. 3, 1924, *Foreign Relations*, 1924, vol. II, p. 212.

provision respecting monopolies in the Palestine Mandate, it expressly reserved its position with respect to other mandate territories, including Mesopotamia. Reference may be made, in this connection, to the Embassy's note No. 151 of April 5, 1922, to the British Foreign Office,⁵⁸ which reads in part as follows:—

“It should be clearly understood, however, that this position is taken by my Government solely in recognition of the special situation in Palestine and is not to be considered as prejudicial in any respect to the contentions which have been made, and which are still being made, in connection with other mandate territories.”

Article 11 of the Mandate for Syria and the Lebanon may be quoted as indicating the agreement reached after correspondence with this Government in regard to the régime which should be applicable in Mandate Territories in the matter of concessions. Paragraph 4 of this Article reads as follows:

“Concessions for the development of these natural resources shall be granted without distinction of nationality between the nationals of all States members of the League of Nations, but on condition that they do not infringe upon the authority of the local Government. Concessions in the nature of a general monopoly shall not be granted. This clause shall in no way limit the right of the Mandatory to create monopolies of a purely fiscal character in the interest of the territory of Syria and the Lebanon, and with a view to assuring to the territory the fiscal resources which would appear best adapted to the local needs, or, in certain cases, with a view to developing the natural resources either directly by the State or through an organization under its control, provided that this does not involve either directly or indirectly the creation of a monopoly of the natural resources in favour of the Mandatory or its nationals, nor involve any preferential treatment which would be incompatible with the economic, commercial and industrial equality guaranteed above.”

In the penultimate paragraph of your telegram No. 442 of October 28, 1924, and, again, in your telegram No. 449 of November 3, 1924, you represent the position of the British Foreign Office to be that the provisions of Article 11 of the Anglo-Iraq Treaty are sufficient to preclude the possibility of any discrimination in this particular connection. It should be observed, however, that Paragraph 1 of Article 11 of the Mandate for Syria and the Lebanon⁵⁹ is, except for differences in phraseology, similar to Article 11 of the Anglo-Iraq Treaty, and that, in the case of Syria and the Lebanon, it was considered important to add Paragraph 4 quoted above, not only

⁵⁸ See telegram No. 96, Apr. 3, 1922, 4 p. m., to the Ambassador in Great Britain, *Foreign Relations*, 1922, vol. II, p. 271.

⁵⁹ Text of the mandate is quoted in convention between the United States and France regarding rights in Syria and the Lebanon, signed Apr. 4, 1924; *ibid.*, 1924, vol. I, p. 741.

to clarify but also to supplement the provisions of Paragraph 1. No such supplementary provisions are found in the Anglo-Iraq Treaty or related documents.

It will be observed also that the Foreign Office memorandum No. E 14259/37/88 of December 29, 1921,⁶⁰ to which reference is made in the opening paragraph of your note No. 151 mentioned above, contained the following statement:

"I reserve to myself a still further memorandum to Your Excellency regarding the mandate for Mesopotamia. The position of His Majesty's Government in that country is peculiar . . . I hope to be in a position at an early date to give you the fullest assurance on this matter."

Apparently no such assurance has been communicated to this Government. From time to time, however, as the situation in Mesopotamia developed, the British Government has supplied this Government with various publications and information dealing with the changing character of what it considered to be its responsibilities as Mandatory with regard to Mesopotamia. Its communications of June 24, 1922 (see your despatch No. 1412 of June 27, 1922) relative to the progress of the then pending Anglo-Iraq negotiations, of October 11, 1922 (see your despatch No. 1755 of October 13, 1922) relative to the conclusion of such negotiations and of June 13, 1923 (see the Department's instruction No. 943 of July 21, 1923)⁶¹ communicating the text of the Protocol of April 30, 1923, may be cited in this connection.

You will of course appreciate that this Government could not acquiesce in the view that any agreement between Great Britain and Iraq or any instrument accepted by the Council of the League of Nations with reference to Iraq could prejudice existing American rights in that territory. In particular, the Capitulatory rights of the United States are considered still to persist in Iraq pending the consummation of a suitable treaty arrangement with the appropriate authorities. The Department considers, therefore, that, when an appropriate opportunity arises, it may be desirable to conclude with the competent authorities an agreement embodying its consent, on appropriate terms and provided the proper safeguards for American interests are secured, to the arrangements which have been reached with reference to Iraq. It is possible that such an agreement might best be concluded in the form of a convention between the United States and Great Britain, and possibly Iraq, embodying a reference to the Anglo-Iraq Treaty and related documents and to the text of the Decision, and containing operative articles similar to those included in the Anglo-

⁶⁰ *Ibid.*, 1921, vol. II, p. 115.

⁶¹ None of these documents printed.

American Convention of December 3, 1924, with respect to Palestine⁶² and in the Convention of April 4, 1924, between the United States and France with respect to Syria and the Lebanon.⁶³

The foregoing discussion of this Government's views regarding the situation created by the Decision of September 27, 1924, may be supplemented by a brief reference to the exchange of notes early in 1921 between the Secretary of State and the President of the Council of the League of Nations. The pertinent sections of the Secretary's note of February 21, 1921,⁶⁴ and the complete text of the Council's reply of March 1, 1921,⁶⁵ are quoted on pages 8 to 10 of the Department's confidential publication, printed and distributed November 12, 1924, Series C, No. 54, Syria No. 1, entitled "Mandate for Syria and the Lebanon," a copy of which was duly transmitted to your Embassy. In Paragraph 7 of the Council's reply, the following statement is made:—

"No conclusions will therefore be reached with regard to 'A' Mandates until the United States Government has had an opportunity to express its views."

A reference to pages 10 to 15 of the above mentioned confidential publication is believed to be sufficient to establish the fact that this Government's views with regard to "A" Mandates were brought to the attention of the Principal Allied Governments and of the Council of the League of Nations, as well as the fact that such views were duly considered by the Council to the satisfaction of this Government's contentions in so far as concerned the adoption of the final form of the Syrian Mandate. As already indicated, similar consideration of this Government's views was given in the adoption of the final draft of the Palestine Mandate. The Department has noted, therefore, with some apprehension that, in connection with the determination of the nature and extent of the responsibilities of Great Britain as the Mandatory Power in Iraq, the British Government, before seeking the approval of the Council of the League of Nations, omitted to consult with this Government and presumably did not take into consideration certain of its expressed views with regard to "A" Mandates, to wit, particularly those views relative to "Capitulatory rights" and to "Provisions against discrimination" (see page 11 of the Department's confidential publication respecting Syria referred to above).

The Department desires, therefore, that you supplement the informal representations to which reference was made in its telegram

⁶² *Foreign Relations, 1924*, vol. II, p. 212.

⁶³ *Ibid.*, vol. I, p. 741.

⁶⁴ See telegram No. 107, Feb. 21, 1921, 7 p. m., to the Ambassador in France, *ibid.*, 1921, vol. I, p. 89.

⁶⁵ *Ibid.*, p. 93.

No. 369 of October 21, 1924, by communicating to the British Foreign Office a note in the following sense:—⁶⁶

“Among the documents recently published by the League of Nations my Government has noted the text of a decision of the Council of the League under date of September 27, 1924, relating to the application of the principles of Article 22 of the Covenant of the League to the territory of Iraq. It appears that this decision was taken at the instance of the Government of His Britannic Majesty following the submission to the Council of a statement by Lord Parmoor with respect to the circumstances which made it appear to His Majesty's Government to be impracticable to exercise in Iraq a mandate of the form contemplated in the document which His Majesty's Government submitted to the Council in December, 1920. With a draft of the decision which was adopted by the Council, Lord Parmoor submitted a copy of the Treaty of October 10, 1922, between His Britannic Majesty and His Majesty the King of Iraq, together with a protocol dated April 30, 1923, and subsidiary agreements dated March 25, 1924. Lord Parmoor stated that the Treaty and the connected documents placed the British Government in a position *vis-à-vis* Iraq to discharge its obligations toward the League and that all the points embodied in the original draft mandate would be found to be covered by these documents, supplemented by the further undertakings embodied in the draft decision. The effect of the Council's decision, so far as concerns the governments which accepted that decision, appears to be to substitute for the original draft mandate the arrangements of His Majesty's Government with the Government of Iraq and the undertakings of His Majesty's Government towards members of the League.

Your Excellency will undoubtedly recall the extended correspondence between His Majesty's Government and the Government of the United States, as well as the correspondence which my Government had with the Council of the League of Nations, regarding the right of the United States to be consulted with respect to the character and conditions of the administration of territories detached from the Ottoman Empire as a result of the common victory over the Central Powers. I refer, in this connection, to a communication of December 29, 1921,⁶⁷ in which His Majesty's Government asserted that it had no desire to challenge the statement of my Government concerning the relation of the victory over Turkey to the victory over Germany and disclaimed any intention to discriminate against nationals of the United States or refuse them full equality of commercial opportunity in territories detached from Turkey as a result of the common victory. It was the understanding of my Government that its right to be consulted with respect to the character and conditions of the administration to be established in Mesopotamia was fully acknowledged by His Majesty's Government, as well as by the Council of the League of Nations, and after the statement

⁶⁶ In accordance with this instruction, a note was addressed to the British Secretary of State for Foreign Affairs on May 5, 1925.

⁶⁷ *Foreign Relations*, 1921, vol. II, p. 115.

of Sir Eyre Crowe in the communication of December 29, 1921, above mentioned, with reference to the presentation of a further memorandum in which he hoped to be able to give the American Ambassador the fullest assurance regarding the mandate for Mesopotamia, my Government entertained no doubt that it would be consulted before the consummation of final arrangements in regard to the administration of Mesopotamia. The expectation of my Government that it would be consulted in regard to the administration of this territory was supported by the fact that, before the adoption by the Council of the League of the British mandate for Palestine and the French mandate for Syria and the Lebanon, my Government was given an opportunity to express its views regarding the terms of those mandates.

My Government has fully appreciated the fact that the political situation in Iraq has changed in material respects since the draft mandate for that territory was first presented. It has no disposition to question in principle the necessity for a modification of the mandatory arrangement in the general sense of the decision adopted by the Council on September 27, 1924. It has noted, however, with some apprehension, the omission from the modified arrangement of provisions similar to those inserted in the mandate for Syria and the Lebanon respecting the reestablishment of the capitulations upon the termination of the mandatory arrangements and respecting the observance of the principle of equality of opportunity in regard to the exploitation of the natural resources of the mandated territory. It is firmly of the opinion that no arrangements to which it is not a party could modify the rights to which it is entitled in Iraq by virtue of the capitulations of the Ottoman Empire, and it believes that, in accordance with the principles which my Government has consistently advocated and which it is not believed His Majesty's Government would be disposed to contest, American nationals should be placed on an equal footing with the nationals of any of the Allied Powers with respect to economic and other rights in Iraq.

While my Government has no desire to question the finality of the acceptance which other governments may have accorded to the arrangements between His Britannic Majesty and His Majesty the King of Iraq, and is not disposed to suggest a reconsideration of the general arrangement reached, it would be pleased to be informed whether His Majesty's Government, as the Mandatory Power in Iraq, is prepared to give assurances of the character believed to be necessary for the regularization of the situation of Iraq in relation to the United States. Such assurances, I may state, might, in the opinion of my Government, be appropriately embodied in a convention somewhat similar to that recently concluded with respect to Palestine. In view of the particular situation existing in Iraq it might be desirable to consider the possibility of securing the concurrence of Iraq in any such arrangement."

I am [etc.]

FRANK B. KELLOGG

CONTINUED NEGOTIATIONS TO ENSURE RECOGNITION OF THE
PRINCIPLE OF THE OPEN DOOR IN THE TURKISH PETROLEUM
COMPANY'S CONCESSION IN IRAQ⁶⁸

890g.6363 T 84/226 : Telegram

The Secretary of State to the Ambassador in Great Britain
(Houghton)

[Paraphrase]

WASHINGTON, December 5, 1925—7 p. m.

357. Negotiations regarding the Turkish Petroleum Company.

1. The Department has been informed by the American Group that there is serious danger that their negotiations with the Turkish Petroleum Company will reach an impasse due to failure up to now of the other groups in the Turkish Petroleum Company to come to an agreement with Mr. C. S. Gulbenkian.⁶⁹ See first paragraph in Department's telegram No. 331, September 20, 1924, 2 p. m.⁷⁰ The situation described in that telegram is very much like that existing now.

2. The American Group informs the Department that they would be sincerely sorry to have to withdraw from further attempts to obtain participation in the Turkish Petroleum Company on a fair basis and that they are still hopeful that an agreement will be reached which will make participation possible. Negotiations with the Turkish Petroleum Company are being carried on by Mr. Piesse on behalf of the American Group.

3. You may wish to confer with Mr. Piesse regarding the status of the negotiations at present. However, such a critical stage seems to have been reached that the Department wishes you promptly to present the matter again orally to the British Foreign Office, setting forth the view which the Department has consistently maintained and which is fully explained in its telegram No. 331 of September 20, 1924. Except for subparagraph (c) of the third paragraph, the considerations presented in the third, fourth, and fifth paragraphs of that telegram apply to the present situation as well as they did to that of last year. On the point covered by section (c) of the third paragraph, the situation is modified by the fact that a concessionary contract between the Turkish Petroleum Company and the Iraq Cabinet has been signed,⁷¹ so that presumably the present claims

⁶⁸ Continued from *Foreign Relations, 1924*, vol. II, pp. 222-241.

⁶⁹ Calouste Sarkis Gulbenkian, naturalized British subject, a minority stockholder in the Turkish Petroleum Company.

⁷⁰ *Foreign Relations, 1924*, vol. II, p. 232.

⁷¹ Turkish Petroleum Company, Limited, *Convention with the Government of Iraq, made the 14th day of March, 1925* ([London,] Blundell, Taylor & Co. [1925]).

are based not on the pre-war claims of the Turkish Petroleum Company but upon the recent alleged concessionary grant.

4. In making your representations at the Foreign Office you should stress especially the views outlined in the fifth paragraph of the telegram of September 20. The Department is aware that neither our Government nor the British Government would wish to intervene in negotiations which are of a purely business nature. The British Government, however, in view of its connection with the Anglo-Persian Oil Company which is one of the chief parties to these business negotiations, may be able to persuade British subjects or companies not to assume an attitude which would make it impossible for American interests to participate in the Turkish Petroleum Company. It is the belief of the Department that its wish to avoid any further controversy regarding the Mesopotamian oil question is shared by the British Foreign Office. The American and British Governments have agreed on important questions of principle regarding this matter, and the development of a selected part of the Mesopotamian oil field by a company in which important oil interests of four nations were to participate was to give practical application to these principles. Effect was being given to the open-door principle as applied to territories under mandate, and thus there was to be brought about a wide basis of participation in developing these oil resources.

5. Should the American Group withdraw because of failure to obtain participation in the Turkish Petroleum Company on a fair basis, the Department would reserve its entire freedom of action if any reasonable and proper efforts should be made by the interested American companies to secure the right to a fair share in the development of the oil resources of Mesopotamia through other means than the Turkish Petroleum Company.

6. Should oral representations not be sufficient, the Department would consider sending a written communication on this subject. Please make report.

KELLOGG

890g.6363 T 84/229 : Telegram

The Ambassador in Great Britain (Houghton) to the Secretary of State

LONDON, December 9, 1925—6 p. m.

[Received December 9—5 p. m.]

377. Department's 357, December 5, 7 p. m. was discussed with Foreign Office today in reviewing the Turkish petroleum situation.

Oliphant⁷² gave fullest assurances of the desire of the British Government to see American interests remain. From the latest information the Foreign Office is hopeful that the proposal to resort to arbitration will be accepted by Gulbenkian and by the British interests in Turkish Petroleum. Foreign Office has not ceased to urge this course on British group and I understand from Oliphant that French Government has been exercising similar pressure on French group.

In reply to a question in the House this afternoon the Prime Minister replied:

“His Majesty’s Government regard as undoubtedly valid the convention made on March 14, 1925, whereby the Government of Irak granted to the Turkish Petroleum Company for a period of 75 years the exclusive right to extract and dispose of petroleum and similar products in the whole of Irak with the exception of the ‘transferred territories’ and the vilayet of Basra.

They welcomed the inclusion of French interests in the Turkish Petroleum Company and have watched with sympathy negotiations for the inclusion also of American interests. If these negotiations result in American interests acquiring an interest in the Turkish Petroleum Company such a result will be welcomed by His Majesty’s Government.”

HOUGHTON

890g.6363 T 84/233

The French Embassy to the Department of State

The French Government is informed that difficulties have arisen between the French and British Groups on one part and the American Group on the other, which are parts of the Turkish Petroleum Company, concerning the interpretation of the “heads of agreement” agreed upon between them last March and inserted into a final contract.

The American Group is threatening to withdraw and to negotiate by itself with the Turkish interests.

The British and French Governments are proposing that the question should be settled by arbitration. Such a procedure would be entrusted with four experts who would have to decide upon the interpretation to be given to the Convention. Should the experts not reach an agreement, they would designate one sur-arbiter and the contract drawn by them would engage all the interested parties.

⁷² Lancelot Oliphant, head of the Eastern Department of the British Foreign Office.

The French Government would deeply appreciate any steps which the American Government could take in order to induce the American Group to give its consent to the proposed procedure.

It is needless to insist upon the serious inconveniences of all kinds which, in the present circumstances, the retirement and an isolated action of the American Group could have.

WASHINGTON, *December 18, 1925.*

890g.6363 T 84/233

*Memorandum by the Chief of the Division of Near Eastern Affairs
(Dulles)*

[WASHINGTON,] *December 18, 1925.*

The French Ambassador called to see the Secretary on December 18 and left with him a memorandum, of which a copy is attached,⁷³ expressing, on behalf of the French Government, the hope that this Government would intervene to prevent a break between the Turkish Petroleum Company and the American Group.

The Secretary asked me to outline to the French Ambassador the present status of these negotiations, which I did, somewhat as follows:

I pointed out that the negotiations between the American Group and the Turkish Petroleum Company were negotiations of a business character and that in principle the Department did not intervene in such negotiations; that we were of course interested in maintaining the principle of the Open Door in Mesopotamia and the right of American companies to obtain a fair share of participation, if they so desired, in the development of the natural resources of Mesopotamia. This policy the Department had consistently maintained in correspondence with the British Government, of which the Ambassador was possibly aware.

I told the Ambassador that the American Group had been negotiating for the past two or three years with the Turkish Petroleum Company and that an agreement had been practically reached when serious difficulty was encountered in view of the attitude assumed by a minority shareholder in the Turkish Petroleum Company, Mr. Gulbenkian. The latter had apparently insisted that the various partners in the Turkish Petroleum Company should have a stock interest only in the Company, as he himself only desired such an interest. The American Group, on the other hand, informed the Department that they were interested in securing their pro rata share of the crude oil produced by the Company and were not interested in mere stock participation.

With respect to the suggestion contained in the French Ambassador's note that the American Group consent to the arbitration of

⁷³ Printed *supra*.

the outstanding difficulties, and not resort to separate action, I said that I understood from the American Group that they considered that the questions at issue were solely between Gulbenkian and the Turkish Petroleum Company and that they could neither be a party to nor would they desire to block arbitration between the Turkish Petroleum Company and Gulbenkian. I added that I further understood that, in the event that the agreement which might ultimately be reached between the Turkish Petroleum Company and Gulbenkian was not of a character to permit the participation of the various groups in the actual crude oil produced, or if this agreement imposed onerous charges upon the prospective participants in the Turkish Petroleum Company, I could give no assurance that the American Group would not withdraw. On this point they would have to consult, and would probably consult, their own business interests.

I gathered that the French Ambassador himself did not have any data on the situation or any knowledge of the background which had led his Government to make the request contained in his note.

Later in the day, I read over the telephone to Mr. Swain, of the Standard Oil Company of New Jersey, the pertinent sections of the French Ambassador's note. Mr. Swain replied that he could only confirm what he had already stated, that the American Group did not see that they could properly be a party to the proposed arbitration; that the questions involved were questions between the European partners and Gulbenkian. If those parties desired to refer their difficulties to arbitration that was their concern.

A. W. DULLES

890g.6363 T 84/229 : Telegram

*The Secretary of State to the Ambassador in Great Britain
(Houghton)*

[Paraphrase]

WASHINGTON, December 19, 1925—6 p. m.

369. Our No. 357 of December 5 and your No. 377 of December 9.

1. Under date of December 8 the American Group has written the Department ⁷⁴ reviewing the present status of their negotiations with the Turkish Petroleum Company and asking whether the Department can do anything further through diplomatic channels regarding the Turkish Petroleum Company and asking whether the Department would object to direct negotiations by the American Group with Iraq or Turkey.

2. No written reply has yet been given to the above questions, but the Department could hardly answer in the negative should it

⁷⁴Letter not printed.

be pressed for a reply to the second question. If the American Group should decide to enter into direct and independent negotiations with Iraq or Turkey it probably would mean that the cooperative effort developed so laboriously during the past three years is ended. Paragraph 2 of our telegram No. 357 of December 5 still accurately reflects attitude of the American Group.

3. It is really important that the door should be kept open for arranging a fair basis for American participation in developing the Mesopotamian oil field. I wish you, therefore, to take an early occasion to present the matter to the British Secretary of State for Foreign Affairs on the basis of the points set forth in Department's telegram No. 331 of September 20, 1924⁷⁵ and No. 357 of December 5, 1925. You should say that the Department considers it contrary to the interests of both the American and British Governments that the effort to settle this problem on a basis of cooperation between the American and foreign interests concerned should stop, especially with agreement so nearly reached.

4. Report what action you take.

KELLOGG

890g.6363 T 84/231 : Telegram

The Ambassador in Great Britain (Houghton) to the Secretary of State

[Paraphrase]

LONDON, December 21, 1925—5 p. m.

[Received December 21—3:35 p. m.]

383. Your telegram No. 369 of December 19. I am assured by Tyrrell⁷⁶ that the British have not changed their attitude toward American participation in the Turkish Petroleum Company. He told me that British oil interests have been engaged in deadly warfare for some time and he believes that in this conflict American interests have been used as a catspaw. This trouble is now being terminated and under government pressure arbitration is being resorted to. Within a day or two the result will be known, and Tyrrell believes that matters will move smoothly once this difficulty is settled. As soon as the result of arbitration is known, Tyrrell will personally inform me.

HUGHTON

⁷⁵ *Foreign Relations*, 1924, vol. II, p. 232.

⁷⁶ Sir William G. Tyrrell, British Permanent Under Secretary of State for Foreign Affairs.

890g.6363 T 84/231 : Telegram

*The Secretary of State to the Ambassador in Great Britain
(Houghton)*

WASHINGTON, December 31, 1925—9 p. m.

372. Your 383, December 21, 5 p. m. Please expedite supplementary reply; also endeavor to discuss matter with Chamberlain⁷⁷ earliest possible opportunity.

KELLOGG

EFFORTS BY THE UNITED STATES TO OBTAIN FOR AMERICAN RUBBER MANUFACTURERS RELIEF FROM BRITISH RESTRICTIONS ON THE EXPORT OF RAW RUBBER

841.6176/5

*The Rubber Association of America, Inc., to the Department of State*⁷⁸

MEMORANDUM SUBMITTED BY THE RUBBER ASSOCIATION OF AMERICA, INC., WITH REFERENCE TO THE EFFECT UPON AMERICA'S CRUDE RUBBER SUPPLY OF THE BRITISH "STEVENSON SCHEME" UNDER WHICH THE EXPORT OF CRUDE RUBBER FROM BRITISH POSSESSIONS IS RESTRICTED

The so-called "Stevenson Scheme" is a legislative measure under which the amount of rubber exported by the British rubber-growing possessions in the Middle East, is arbitrarily restricted for the purpose of enhancing its price.

The purpose of this memorandum is to explain the history and operation of this scheme, and to point out the critical situation that now confronts the American rubber manufacturing industry as a result of the artificial curtailment of crude rubber supply which its operation has brought about. This situation is such that an early relaxation of the restriction imposed under this scheme is of the utmost importance to the American rubber industry and to the American consuming public.

THE BRITISH POSSESSIONS IN THE MIDDLE EAST ARE THE CONTROLLING FACTOR IN THE CRUDE RUBBER MARKET

Due primarily to climatic and labor conditions, the British and Dutch possessions in the Middle East enjoy, at the present time, what amounts practically to a monopoly of crude rubber production. Some "wild rubber" comes from South America, but the rubber from

⁷⁷ Sir Austen Chamberlain, British Secretary of State for Foreign Affairs.

⁷⁸ Left at the Department on July 17, 1925. The exhibits attached to this memorandum are not printed.

this source represents a very small percentage of the total. Of the four million acres of land now devoted to rubber plantations in the Middle East, about 70% is in British territory or under British control, (Ceylon, the Malay States, the Straits Settlements, etc.) The report of the United States Department of Commerce, 1925, entitled "The Plantation Rubber Industry in the Middle East" (copy herewith)⁷⁹ gives a very complete survey of the situation in that part of the world.

Under these circumstances it is apparent that any curtailment of the production or shipments of crude rubber by the growers of the British possessions, such as is imposed by the "Stevenson Scheme" must have a very direct effect upon the operations of the American rubber industry. And, since America accounts for about three-fourths of the entire rubber consumption of the world, it is America that is primarily affected by such curtailment.

THE CONDITIONS LEADING UP TO THE ADOPTION OF THE STEVENSON SCHEME IN 1922

The "Stevenson Scheme" was adopted as a result of a temporary condition of over-supply of crude rubber, as is shown graphically in the attached Exhibit A, in each of the three years immediately following the war, i. e., 1919, 1920, and 1921 when the production of crude rubber exceeded the consumption by a considerable margin. This naturally resulted in depressing the price of the commodity.

The year of 1919 showed a substantial increase in rubber consumption over 1918, the last year of the war, but this increase did not nearly keep pace with the tremendously increased production. Then came the post-war depression in all business, with the result that instead of the expected large increase in the consumption of rubber in 1920 and 1921, there was a marked decrease in each of these years as compared with the previous year. And, as above stated, in each of these years, the production was far ahead of the consumption.

The large stock of rubber on hand as a result of the three years of over-production, brought the price down as low as 14 cents per pound in 1921, a price which was asserted to be far below the cost of production. (See attached Exhibit B.)

It was this that led to the appointment in 1921 by the British Secretary of State for the Colonies of the so-called "Stevenson Committee" (taking its name from its chairman, Sir James Stevenson, now Lord Stevenson) "to investigate and report upon the present Rubber Situation in British Colonies and Protectorates".

⁷⁹ Not reprinted in *Foreign Relations*.

In its initial report of June, 1922, (a copy of which is annexed as Exhibit C), the committee reviewed the 1919, 1920 and 1921 production and consumption figures, and concluded from them:

“On these figures, the Committee cannot fail to advise you to contemplate with grave concern the position of the Industry in British Colonies and Protectorates, unless steps are taken to reduce stocks and, further, to prevent over-production of rubber so long as the potential normal production continues to be substantially in excess of consumption. They are of opinion that consumption is not likely to overtake potential production for some years.”⁸⁰

The Committee also discussed several proposals for bringing about the desired result, including voluntary restriction and governmental action, but made no definite recommendation, pending the ascertainment of the attitude of the Dutch government. In its supplementary report of October of the same year⁸¹ (attached Exhibit D) the Stevenson Committee noted the failure of attempts at voluntary restriction of production. It also stated that the Dutch Government declined to co-operate in governmental restrictions. Nevertheless, it decided that the situation warranted legislative restriction of production in the British Colonies and Protectorates. The Stevenson Committee therefore recommended that the present “scheme of governmental intervention should be put into operation in Ceylon, the Malay States and the Straits Settlements, as soon as possible”. This recommendation was followed.

THE STEVENSON SCHEME

The supposed object of the Stevenson Scheme* was to stabilize the price of crude rubber at 1s/6d per pound, or roughly about 36 cents. This was fixed as a price which would not only give a satisfactory profit to the producer, but would be sufficient to stimulate the investment of new capital in the planting of additional acreage. The method provided by the scheme for accomplishing this object is as follows: The actual output of each producer for the year beginning Nov. 1, 1919, was taken as his “standard production”. During the first quarter of the operation of the scheme each producer was permitted to export at the low, minimum rate of export duty, only 60 percent of his “standard production”. If he exceeded that percentage he would have to pay what, up to the present, has proved

⁸⁰ Great Britain, Cmd. 1678 (1922): *Report of a Committee Appointed by the Secretary of State for the Colonies to Investigate and Report upon the present Rubber Situation in British Colonies and Protectorates*, p. 4.

⁸¹ Great Britain, Cmd. 1756 (1922): *Supplementary Report of the Committee Appointed by the Secretary of State for the Colonies, to Investigate and Report upon the present Rubber Situation in British Colonies and Protectorates*.

* See pages 3 to 5 of “The Plantation Rubber Industries in the Middle East.” U. S. Dept. of Commerce 1925. [Footnote in the original.]

to be a prohibitive export duty on the entire amount exported. The more the amount exported exceeds the prescribed percentage, the higher the export duty. The prescribed percentage is subject to change each quarter depending upon the average price for the preceding quarter. That is, if the average price for a certain quarter is between 1s/3d and 1s/6d, the prescribed percentage exportable during the following quarter at the minimum rate of duty is increased 5% for the next quarter, and if the price is 1s/6d or over for a given quarter, the prescribed percentage is increased 10%. So also, if the average price falls below 1s, the percentage is decreased to 55%, and if that reduction does not raise the average price to 1s/3d in the next quarter, a further reduction in the prescribed percentage to 50% becomes effective, and so on.

As is apparent from this brief resume of the scheme, it was an attempt artificially to maintain the price of rubber at 1s/6d by altering the amount of rubber exported or "released" each quarter.

THE ACTUAL OPERATION OF THE SCHEME

The Stevenson Scheme went into operation on November 1, 1922. At that time the world stock of crude rubber was large and it took some time before the effect of the restriction scheme was felt to any great extent. But upon the depletion of the accumulated stock (accompanied by a rapidly increasing rate of rubber consumption) the situation immediately took on a serious aspect. And now, as a result of the operation of the scheme, the price of rubber has been forced up to about three times the normal price of 36 cents, and there is threatened an actual shortage in the amount of rubber needed to meet the requirements of the consuming public. The following schedule tells the story of the operation of the Scheme:

RUBBER EXPORT QUOTA

Restriction Quarter	Exportable Allowance of standard production	Average Price		
		<i>s</i>	<i>d</i>	<i>Cents</i>
Nov. 1, 1922, to Jan. 31, 1923.....	<i>Per cent</i> 60	1	2. 295	27½
Feb. 1, 1923, to Apr. 30, 1923.....	60	1	4. 858	32½
May 1, 1923, to July 31, 1923.....	65	1	2. 242	27½
Aug. 1, 1923, to Oct. 31, 1923.....	60	1	2. 974	28
Nov. 1, 1923, to Jan. 31, 1924.....	60	1	2. 175	25½
Feb. 1, 1924, to Apr. 30, 1924.....	60	1	0. 917	23¾
May 1, 1924, to July 31, 1924.....	60	0	10. 974	20
Aug. 1, 1924, to Oct. 31, 1924.....	55	1	2. 632	27½
Nov. 1, 1924, to Jan. 31, 1925.....	50	1	5. 9983	36
Feb. 1, 1925, to Apr. 30, 1925.....	55	1	7. 38	38
May 1, 1925, to July 31, 1925.....	65	-----	-----	*115

*Price on July 16, 1925.

The present day price, while of a somewhat speculative character, is believed to be indicative of the actual conditions of supply and demand and to forecast a real shortage of crude rubber supply unless decisive steps are taken by the British authorities to make immediately available a greater amount of rubber than is provided for by the Stevenson Scheme as it now exists.

**THE LARGE AND INCREASING DEMAND FOR CRUDE RUBBER IN THE
UNITED STATES**

Not only has the accumulated world stock of rubber been depleted, and the rate of production of rubber reduced by the Stevenson Scheme, but the consumption of rubber in the United States is now increasing very rapidly so that the 1925 consumption figures will be greatly in excess of the figures of any year in the past. This increase in consumption of rubber by our citizens is due to the following causes, namely:

1. The normal increase in population.
2. The increasing number of articles that are made in whole or in part of rubber, and
3. The very large increase in the use of automobiles (both commercial and passenger vehicles), and in the change that has recently been effected in the type of tires used upon many of these vehicles.

This third cause of increased consumption has the greatest effect upon the situation, because approximately 80 per cent of the rubber consumed in the United States goes into the manufacture of motor vehicle tires. The growth of this important, modern and indispensable form of transportation can be visualized by reference to the attached sheet entitled "Production and Registration of Motor Vehicles 1895 to 1924" (attached exhibit E. See also exhibit F, showing the increase in gasoline consumption.) Moreover, the figures for the current year indicate a very large increase in the number of motor vehicles in use, as compared with 1924. But this increase in the number of vehicles does not tell the whole story, for practically all of the cars now being manufactured are equipped with the new types of tires known as "balloon tires" which embody a substantially greater amount of rubber per tire than was formerly the case. Also the rapid development of the motor bus, which is run almost continuously and is equipped with very large tires, accounts for a considerable increase in rubber consumption.

Other lines of rubber products in addition to tires include "mechanical rubber goods" such as hose, transmission and conveyor belts, packing, jar rings, etc., "footwear", such as rubbers, boots, arctics, rubber-soled shoes, rubber heels, etc., "drug sundries" such

as hot water bottles, syringes, air cushions, rubber sheeting, gloves, etc., and "hard rubber articles" such as electric battery jars, radio panels, handles, combs, etc. These are only a few of the many thousands of articles, made wholly or partly of rubber, which are essential to the welfare and progress of our people. And in substantially all of these lines the consumption of rubber is steadily increasing.

The United States *must* have an adequate supply of rubber to meet its increasing needs which will soon outstrip the now anticipated production, even in the absence of any artificial restriction. (See Exhibit G.) And it must be able to purchase it at a reasonable price (for example, the 1s/6d fixed by the British growers as reasonable), so that the American consumer shall not be forced to do without things to which he has been accustomed because he cannot afford to pay for them. The present operation of the Stevenson Scheme threatens an actual shortage of rubber, and, as pointed out above, it has already raised the price of rubber by artificial means to almost three times the normal figure.

THE EFFORTS MADE BY THE RUBBER ASSOCIATION TO AVERT THE PRESENT CRITICAL SITUATION

The present shortage and high price of rubber, as a result of the Stevenson Scheme, was not unforeseen by American rubber manufacturers. Immediately upon learning of the enactment of the Stevenson Scheme, American manufacturers realized the great danger which it threatened. They considered it to be economically unsound and absolutely unnecessary. And they believed and feared that the increase in rubber consumption in the United States, which was then forecast, would bring about just such a situation as exists today, if the plan were carried out as then intended.

Accordingly, the Rubber Association of America, on behalf of the American manufacturers, opened negotiations with the Rubber Growers Association of London, which represented more than half of the British Crude rubber interests and was understood to have been instrumental in originating the Stevenson Scheme and presenting it to the British Government through the Stevenson Committee. These negotiations early took the form of an invitation to the Rubber Growers Association to send to the United States a Committee which might visualize for the crude rubber growing interests the enormous rubber manufacturing capacity of this country and the great and constantly increasing use of rubber, particularly in the automotive industry. It was hoped that a presentation of the actual facts would cause these representatives of the British growers to realize the necessity of providing an adequate supply of the neces-

sary raw material and to prevent not only an actual shortage of the material but also an abnormal or speculative market which would retard the growth of the industry and deprive the American people of their needs for rubber products.

The personnel of the Committee or Delegation appointed by the Rubber Growers Association of America to visit the United States and to confer with American manufacturers consisted of three men prominent in the development of the crude rubber growing industry, namely—

Sir Stanley Bois
H. Eric Miller, and
P. J. Burgess

The first two named were members of the Stevenson Committee and Sir Stanley Bois was the past Chairman of the Rubber Growers Association. The Committee spent about three weeks in the United States, which time was occupied in conference with leading American manufacturers and in the inspection of the principal rubber manufacturing districts, including New Jersey, Northeastern Ohio, and New England. They also inspected the great automobile manufacturing center in Detroit.

The situation was explained fully and frankly to these British representatives and their attention was directed particularly to the fear entertained by our manufacturers that upon the depletion of the then existing stock of crude rubber the continued operation of the Stevenson Scheme would present an ideal situation for speculative or trading interests and would make for abnormally high prices and thus perhaps demoralize, temporarily at least, the rubber manufacturing industry.

The British representatives, while careful to explain that they could not speak for their Government, expressed the belief that the restriction scheme gave a sufficient degree of discretionary power to permit the control of any speculative or runaway market conditions and that it was their firm belief that such control would be exercised if the contingency arose. In the report of the British Delegation to their Association, they said, in part (Rubber Growers' "Bulletin" February, 1923, page 71) :

"4. There is a definitely express[ed] fear that the legislation may prove insufficiently elastic to prevent an actual shortage of rubber if America's requirements come up to present anticipations; that if this were to eventuate speculation and price manipulation would inevitably ensue in a manner most detrimental to the interests of manufacturers and producers alike.

6. The Americans feel, however, that they are entitled to ask, and they do most strongly urge, that a declaration be made by or on behalf of the Governments controlling the Restriction of Exports,

to the effect that if the legislation at present enacted should prove to be insufficiently elastic to furnish adequate supplies of rubber for the needs of the industry as and when required, steps will be taken by those Governments to release additional exports more rapidly than present legislation admits. This request for a declaration has the support of Mr. Hoover, Secretary of State [*sic*] for the Department of Commerce at Washington."

Ever since the visit of these British representatives the Rubber Association has supplied the Rubber Growers Association of London, the British Embassy at Washington and the Department of Commerce with a quarterly statement showing the consumption of crude rubber in the United States, and since November 1924 with a monthly statement of the consumption. At all times, therefore, the British growers have been in a position to visualize the actual balance between supply and demand and to see the approach of the serious condition with which we are now confronted.

As has been stated above, when the world's stocks began to reach a low point late in 1924, rubber prices began to rise. When they had passed beyond the established price level of 1s/6d cable negotiations were renewed with Mr. H. Eric Miller, first as the spokesman of the Rubber Growers Association and then as a member of the Stevenson Scheme Committee, and therefore an adviser to the Government. Cables were also exchanged with Lord Stevenson, who was acting as an Aide to the Colonial Office in the restriction matter. Copies of this correspondence are appended⁸² and need no explanation. It appears from them that the American rubber manufacturing industry can look for no relief through this source.

As indicative of the present attitude of the British Government, we quote the following Associated Press dispatch of July 13, 1925:

"London, July 13 (AP).—The British Government does not consider the present price of rubber warrants reconsideration of the existing ordinance restricting the output of the Malay Peninsular, W. G. A. Ormsby-Gore, Parliamentary Under Secretary for the Colonial Office, announced today in the House of Commons in response to a question.

A member had asked whether the present high price of rubber would likely mean the reconsideration of the present Government policy.

Mr. Ormsby-Gore said the legislation originally was framed to restrict export, not production. The whole matter always is under consideration of the Colonial Office, he said.

While admitting the present rise in prices was unexpected, he declared it meant that the amount of rubber for export would be increased automatically on Aug. 1. But if prices remain at the present extraordinary high figure, the situation would without doubt be re-examined. Legislation would be required in the Straits Settlements,

⁸² Not printed.

the Federated Malay States and Ceylon to increase the percentage of Aug. 1 by 20 per cent instead of 10.

This increase could not be made suddenly without creating a great disturbance, he explained".

CONCLUSION

It is apparent from this dispatch that the British Government considers it possible to effect such modification in the restriction scheme as it may deem necessary or wise. It is the view of the special committee appointed for this purpose by the Rubber Association of America that if the British Government could be made to understand fully what the present situation is in the American Rubber manufacturing industry and how the future of that industry is threatened by a continuation of the present operation of the scheme, it would see the desirability and the necessity of relaxing its restrictive provisions.

THE RUBBER ASSOCIATION OF AMERICA, Inc.

841.6176/5 : Telegram

*The Secretary of State to the Ambassador in Great Britain
(Houghton)*

WASHINGTON, July 18, 1925—2 p. m.

232. Delegation under chairmanship of Frederick C. Hood of Watertown, Massachusetts, representing Rubber Association of America, discussed with me today the situation respecting supply of crude rubber from British possessions under the Stevenson Plan. Price appears to have more than tripled since first of year and supply even at new prices and with additional 10 per centum release expected August 1 considered entirely inadequate. July 16 price quotation \$1.15 per pound.

Associated Press dispatch London July 13 quotes Ormsby-Gore as announcing that day in House of Commons that if extraordinary prices continue the situation would without doubt have to be re-examined. He added that legislation would be required in Ceylon, Federated Malay States and Straits Settlements.

This is a matter of very great concern in this country. Please give it your most careful thought and attention and unless you perceive objection to such a step, seek very early opportunity to press the Foreign Office informally for action to relieve the situation. You will, of course, have in mind the entire absence in the United States alike of export duties and restrictions on production of raw materials, for many of which British manufacturers depend very largely upon this country. You may have occasion to suggest creation of a new committee to examine the situation from a disinterested point of view unlikely to

be found in the Committee which itself proposed the Stevenson Plan. Possibly the most available present aid would be larger release, say 20 per centum instead of the expected 10 per centum August 1.

[Paraphrase]

The American consul at Penang cabled on July 14⁸³ that Malay estates apparently were unable to materially increase their present output due to the fact that the standard production accredited to them was really beyond their capacity to produce and also because of a labor shortage.

You may want to consult consulate general. Keep Department promptly and fully informed.

KELLOGG

841.6176/14

The Ambassador in Great Britain (Houghton) to the Secretary of State

No. 213

LONDON, July 23, 1925.

[Received August 4.]

SIR: Referring to my telegram No. 224 of July 23, 5 p. m., 1925,⁸⁴ I have the honor to enclose a copy, in triplicate, of the *Aide-Memoire* which I left with Mr. Chamberlain⁸⁵ with regard to the situation in the United States in the rubber industry.

I have [etc.]

For the Ambassador:

F. A. STERLING
Counselor of Embassy

[Enclosure]

The American Embassy to the British Foreign Office

AIDE-MÉMOIRE

A critical situation seems to have arisen as a result of the restriction of rubber exports from Ceylon, the Federated Malay States and the Straits Settlements under the Stevenson Plan. The rubber industry in the United States involves roughly one billion dollars; it consumes more than 70 per cent of the world's production of rubber, and directly or indirectly gives employment to more than one million persons. The disrupting effect to the industry of the recent advance in prices in the short space of eleven weeks, namely from about one shilling and six-

⁸³ Telegram not printed.

⁸⁴ Not printed.

⁸⁵ J. Austen Chamberlain, British Secretary of State for Foreign Affairs.

pence per pound to about four shillings and sixpence, has caused great concern in the United States. It appears that this great advance in prices is due partly to speculation and partly because practically no stocks exist either in London or in the United States; and that unless some relief is afforded a partial closing down of American rubber manufactories is inevitable.

It is perhaps useless at this time to go into the question of how the situation might have been avoided as it would merely open up a discussion which can in no way alter the fact that this vast American industry is in jeopardy. To relieve the situation it has been suggested that instead of the ten per cent release of the exports of rubber from the States mentioned which is contemplated under the Stevenson Plan on August 1st, an additional ten per cent release should be made.

A delegation of the Rubber Association of America has recently conferred with Mr. Broderick, Commercial Counsellor of the British Embassy at Washington and made the following suggestions which, it is understood, have been forwarded to His Majesty's Government by Mr. Broderick.⁸⁶

“(One) That the British Government make an announcement of policy along the following lines: “The object of the Government in promoting the Stevenson Act was to stabilize the price of crude rubber at a price that would best serve the common interests of the grower and the consumer; this is still its purpose and it is determined to take such measures as are necessary to check any undue speculative activity that would defeat that purpose.

“(Two) That the exportable allowance of crude rubber be increased by twenty per cent (instead of ten per cent) on August 1st, 1925.

“(Three) That from now on and until the amount of rubber in London reaches fifty thousand tons rubber in excess of the exportable allowance be permitted to be shipped to bonded warehouses in London for subsequent release within exportable allowances.

“(Four) To prevent the recurrence of violent speculative movements and encourage additional planting of rubber for insuring future supplies that the present plan be rendered more elastic by providing for an additional five per cent increase in exportable allowance of every three pence increase over one and six and for suitable decreases in exportable allowances upon decreases in price below one shilling”.

It is essential that the price of rubber should be stabilized at a reasonable figure if the American manufacturer is to continue operations in a normal way and develop to its utmost the use of rubber which, in turn, would encourage and make profitable its growth in a manner which would serve the common interests of both grower and consumer and restore the equilibrium from which the industry has

⁸⁶The substance of the suggestions was cabled to the American Embassy in Great Britain by the Department in telegram No. 233, July 18, 1925, 3 p. m. (not printed).

been thrown. It is believed that the suggestions above mentioned might serve as steps towards restoring this equilibrium.

LONDON, *July 22, 1925.*

841.6176/21

The Ambassador in Great Britain (Houghton) to the Secretary of State

No. 272

LONDON, *August 17, 1925.*

[Received August 27.]

SIR: Referring to my telegram No. 258, dated August 17th, 3 p. m.,⁸⁷ I have the honor to enclose copy in triplicate of Mr. Chamberlain's note mentioned therein concerning the concessions requested with respect to crude rubber exports from Malaya.

I have [etc.]

For the Ambassador:

F. A. STERLING

Counselor of Embassy

[Enclosure]

The British Secretary of State for Foreign Affairs (Chamberlain) to the American Ambassador (Houghton)

W. 7756/5208/50

LONDON, *August 15, 1925.*

YOUR EXCELLENCY: With reference to my note of the 10th instant⁸⁷ I have the honor to state that the suggestions put forward by Your Excellency in the course of our conversation on July 22 in regard to an increase in the export of plantation rubber from Ceylon and Malaya have been the subject of a careful and sympathetic examination on the part of His Majesty's Government.

2. The main proposals contained in the *aide-memoire* communicated by Your Excellency were as follows: that the exportable allowance of crude rubber should be increased by 20% (instead of 10%) as from the 1st instant; that rubber in excess of the exportable allowance should be permitted to be shipped to bonded warehouses in London, for subsequent release within exportable allowances, until the amount of rubber in England reaches 50,000 tons; and that the present plan should be made more elastic by providing for additional increases and decreases in the exportable allowance in accordance with variations in the price of rubber.

3. In the first instance I would observe that, although at the moment of Your Excellency's representations, the price of rubber was

⁸⁷ Not printed.

unduly high, it was even then falling and has since fallen again, with the prospect of a still further decline. The price to-day is 3s/5d a lb., as against 4s/6d a lb. some weeks ago.

4. This downward tendency of prices will probably be assisted by a decision taken at the end of July by the Federated Malay States Government, acting on legal advice, to release 6,000 tons of "uncouped" rubber, i. e., rubber comprising the stocks in the hands of dealers at a date in 1923 when it was made illegal to transfer such stocks without covering documents of authority to export. The effect of this decision is in itself equivalent to the authorisation of an additional release of approximately 7½% of the standard production of Malaya.

5. I would further observe that, while His Majesty's Government have not been able to take the exact steps suggested in the *aide-memoire*, a similar result may in effect be anticipated from the re-assessment of the standard production of rubber estates. As a result of this decision the maximum rate of assessment has been raised from 400 lbs. to 500 lbs. per acre and additional concessions have been made to small holders. The Rubber Export Restriction Regulations issued in October 1922 provided for a scale of export duties of which the minimum rate is payable if no more than a certain stated percentage of an estate's normal (or "standard") production is exported. At the inception of the scheme, this figure was placed at 60% of the standard production and, following the 10% automatic increase which took place on the 1st instant, it has now risen to 75% of standard production. As a result, however, of the revision to which I have referred, a proportion of 75% of standard production under the new assessment will be equivalent in fact to a proportion of rather over 80% under the old assessment. Thus since July last there has in effect been an increase corresponding to 15% of standard production, in addition to a release of 6000 tons of rubber representing a further 7½% of the standard production of Malaya.

6. His Majesty's Government are confident that the two steps which I have explained will materially ease the situation. They regret that they cannot go further than this at the present moment. It is they believe, very questionable whether the immediate adoption of the steps recommended in the *aide-memoire* would in fact serve the purpose intended. For instance, it may be mentioned that the supply of labor on the rubber plantations has, on account of the long continued depression of the industry fallen below its normal strength. Any sudden and unanticipated increase of the percentage of rubber which may be exported on the minimum duty would not, therefore, have the effect of increasing the rate of export until such time as it might

be possible for estates to recruit the necessary additional labor from India and elsewhere. For this two months at least would be required.

7. Again His Majesty's Government consider that there are grave objections to any interference with the present scheme until it has been established beyond doubt that the present abnormal price is more than a purely temporary development. While giving all due consideration to the representations and the requirements of the consuming interest in the rubber industry, they feel there is no less need to have careful regard for the reasonable protection of the producers by whose enterprise this great industry has been built up in quite recent times. The plantation of rubber on its present extensive lines is, in fact, a matter of such recent history that the producing companies have not, in many cases, large reserves of capital to fall back upon in times of depression. Many of these companies were virtually exhausted and faced with the necessity of allowing their estates to go out of cultivation at the critical stage when the present scheme was introduced for their relief. If no such relief had been afforded by government action, the situation for consumers might have been considerably worse than it is today, since the producing area would, in 1922 and 1923, have been appreciably restricted by the collapse of a number of estates and small holdings.

8. I would here draw attention to the fact that during the two years immediately preceding and following the war the average price of rubber was approximately 2s - a lb.; for seven out of the eleven quarterly periods during which the scheme has been in operation the average price has been below 1s/3d a lb. Thus, for the larger part of this period consumers have been able to obtain their supplies at less than the price of 1s/3d to 1s/6d per lb. which they, in common with the other sections of the industry, agreed to regard as reasonable; only for the last two quarters of this period has the average price exceeded 1s/6d per lb. Judging from the latest estimates of the statistical position which have been brought to the notice of His Majesty's Government, there is every reason to believe that, provided that the average price of rubber during the next few quarters does not fall below 1s/6d a lb., any risk of a shortage in the supplies of rubber on the world's markets has now passed. The information which I had the honor to request in my note under reference will be of material assistance to His Majesty's Government for purposes of confirmation and comparison with the statistics already in their possession.

9. While regretting their inability for the above reasons to give effect to the proposals of the United States Government, except in so far as this has been done by the measures described in §§ 4 and 5 of this note, I desire to assure Your Excellency that His Majesty's Gov-

ernment will continue to keep a careful watch on developments as regards the price and other aspects of the market and will hold themselves free to intervene if at any time it appears that substantial injustice is being done or is likely to be done by reason of the present scheme. It is, as surmised in your *aide-memoire*, the policy of His Majesty's Government "to stabilise the price of crude rubber at a price that would best serve the common interests of the grower and the consumer."

10. Your Excellency must permit me to add that, as you very frankly admitted to me, the inconveniences of which the American users of rubber complain were not inherent in the Stevenson scheme but arose out of the speculative attitude adopted by those users towards the scheme and out of their consequent failure to make in time steady purchases at the low prices which prevailed up to so recent a date as the end of last year. Nevertheless I trust that the measures which His Majesty's Government have taken as above described will be found effective to remove the graver consequences of this unfortunate lack of prevision.

I have [etc.]

AUSTEN CHAMBERLAIN

841.6176/21 : Telegram

*The Acting Secretary of State to the Ambassador in Great Britain
(Houghton)*

WASHINGTON, September 5, 1925—3 p. m.

285. Your despatch 272, August 17. If receipt of note not already acknowledged please make appropriate acknowledgment, stating that British note has been received in Washington and that this Government appreciates the attention which has been accorded your communication; that this Government hopes the British Government will continue to give sympathetic consideration to the question; and that you may wish to communicate further with Mr. Chamberlain on the subject after the matter has had the further consideration of this Government.

GREW

841.6176/83

*The Ambassador in Great Britain (Houghton) to the Secretary of
State*

LONDON, November 9, 1925.

[Received November 21.]

MY DEAR MR. SECRETARY: I spent the week-end at Hatfield with the Salisburys. Among the guests there was Amery, the Colonial Secretary. . . .

Our particular subject of discussion was the rubber situation. The Stevenson Plan, as you know, comes under Amery's control. We drifted into the talk quite informally, but it gave me a chance to review the whole subject from our point of view and to say to him that the conditions at home were distinctly bad and showed little hope of improvement. Amery said that if the Plan were now abandoned, the situation, he thought, would be materially worse. I replied that, so far as I was aware, our people did not object to the Plan *per se*, but did feel that its administration had failed to give adequate consideration to our really desperate needs. Amery said that while he recognized that the great bulk of the demand for rubber came from America, other factors must also be kept in mind, and he pointed out that the whole matter was constantly being reviewed by an advisory committee. That gave me the opportunity I had been seeking, and I said that, speaking wholly for myself, it did seem to me that if the Plan was to be worked out satisfactorily, it could only be done with American cooperation and agreement, and I suggested, therefore, the possibility of two representatives of the American rubber interests being on the advisory committee. That would, of course, bring the opposing factors of supply and demand together, and would enable a more adequate consideration of present and future needs and tend directly toward the satisfactory development of the rubber industry as a whole. Amery said that the suggestion was most interesting and that he would like to think it over.

I need hardly say to you that I made the suggestion wholly personally and on my own initiative, and that Amery understands this fact. I have little hope that the suggestion will be carried out. I am sure, however, that if such a plan could be put into operation, it would remove much of the difficulty since it would enable the American representatives to know at all times the exact market conditions, and so tend at least to remove the suspicions which naturally attach themselves now to any action taken by the British alone. In any event, I want you to know precisely what I said.

One word more. Hood, the head of the Rubber Association, cabled me some weeks ago that in their belief a seventy-five per cent. release meant, in fact, only a sixty-five per cent. release. I mentioned this statement casually to Amery, who replied at once that in his opinion rather the reverse was true. The eighty-five per cent. release on November 1st would, he indicated, be made a ninety-five per cent. release on February 1st. Amery added that if this full twenty per cent. release had been made on November 1st, it would have resulted merely in a war among the rubber producers, by which the stronger would have hired labor from the weaker in order to take advantage

of the situation, and in this way have pushed up wages and, therefore, costs and prices. By making the increase only ten per cent. now, but indicating an intention to add another ten per cent. on February 1st, the effect would be to bring in new labor, especially from China, and leave the wage level substantially undisturbed.

If, for reasons of your own, you disapprove of my suggestion of American participation, I would be grateful if you would cable me in order that I may make the fact known to Amery. As I said, however, I doubt if the suggestion will seriously be entertained. There is a basis of national pride in maintaining the present situation and that would likely, I think, make our participation improbable.

With assurances [etc.]

A. B. HOUGHTON

841.6176/36 : Telegram

*The Secretary of State to the Ambassador in Great Britain
(Houghton)*

[Paraphrase]

WASHINGTON, November 21, 1925—6 p. m.

343. The Rubber Association of America has informed Department that situation is becoming more serious; that situation is speculative in the absence of the following information: (1) Whether Government of Great Britain intends to modify the Stevenson Plan or make it more flexible, and (2) whether when 100 percent is reached restriction will be removed, or whether 100 percent would be taken to mean 100 percent of standard production only.

Unless you perceive some objection, make inquiry of Chamberlain, informally and discreetly, regarding attitude of Great Britain on the above. You may also tell him, in your discretion, that your Government would be pleased to know whether any relief measures have been determined upon and that you earnestly hope that the Government of Great Britain, knowing the difficulties of the situation, may be able to take such measures. Cable reply.

KELLOGG

841.6176/38 : Telegram

*The Ambassador in Great Britain (Houghton) to the Secretary of
State*

[Paraphrase]

LONDON, November 24, 1925—3 p. m.

[Received November 24—2 p. m.]

357. Department's telegram No. 343 dated November 21. This morning I saw Chamberlain and reminded him that for some months

we had been discussing the rubber situation without much apparent result. I suggested that I would be glad to know if it was the intention of his Government to take no remedial steps. Naturally Chamberlain protested that this was not his Government's attitude and he informed me that a committee of the Cabinet had been formed as a result of our talk last month, which committee was now actively studying the entire rubber situation. Chamberlain also stated that Colonial Secretary Amery in particular was investigating the Stevenson Plan's working. I told Chamberlain then that the situation in the United States was really serious, adding that the market apparently was getting into the hands of speculators. The two points raised in your last telegram on this subject were also laid before him, and he carefully noted both, stating that before he left for Geneva early next week he would give me an answer.

Chamberlain remarked during our conversation that representatives of the Rubber Association had recently been here and had discussed the possibility of a long-time contract with the proper authorities and that this arrangement was also being considered at the present time. I have no information whatsoever with respect to any such move but I suggest that it would be futile for me to discuss the matter further with Chamberlain if the Rubber Association is now undertaking to start direct negotiations.

HOUGHTON

841.6176/83 : Telegram

*The Secretary of State to the Ambassador in Great Britain
(Houghton)*

[Paraphrase]

WASHINGTON, November 24, 1925—3 p. m.

345. Your letter dated November 9 received. The Government of the United States is opposed to government monopolies of products in any country. It would be inadvisable for the Government of the United States to give recognition to such a monopoly by being represented on the advisory committee or by having Americans represented on it. This being our policy as to all monopolies in all countries, we cannot afford to recognize them by any participation therein. I believe you should inform Mr. Amery of this.

KELLOGG

841.6176/40 : Telegram

The Ambassador in Great Britain (Houghton) to the Secretary of State

[Paraphrase]

LONDON, *November 25, 1925—noon.*

[Received 1:46 p. m.]

358. Department's telegram number 345, November 24. Work, President of the Goodrich Company, told me following late yesterday:

Several months ago Winston Churchill⁸⁹ proposed to certain persons that a banking syndicate composed chiefly of Americans should be formed to regulate the price of raw rubber. Such a syndicate under the lead of Dillon, Read of New York was formed to cover rubber demands of Fiske, Goodrich, Goodyear and United States. Their representatives, Dunn of Fiske and Erdman of Goodyear, came to England, but found it impossible to work out a satisfactory agreement. Work later joined them, and an entirely new plan was developed, acceptable to these American interests. Dunn has sailed for America to see you to learn if you are willing to inform the Government of Great Britain broadly that a plan acceptable to the Rubber Association will be acceptable to you. The plan in substance contemplates the removal of all restrictions on February 1. Three months later, should the price decline, it shall be supported at the rate of 3 shillings 6 pence a pound, but each succeeding quarter the supporting price shall be reduced 3 pence a pound until the price of 2 shillings is reached. This will be regarded as the permanent base price. Stevenson will accept this plan provided the Government of the United States gives its assent; and inasmuch as it will prevent violent fluctuations of price and move the base price steadily downward and is open to all purchasers of rubber, Work and his associates think it should be accepted. Dunn will furnish you with the details. Churchill has assured Work and his associates that much of his interest in plan is based on his desire to strengthen British position in international exchanges. According to Work, Stevenson's position has been seriously shaken because of our representations. The British apparently will deal with Work only with your approval.

This new development has taken me wholly by surprise. In our talk at Hatfield House,⁹⁰ Amery mentioned casually that certain American interests had been seeking to purchase rubber on long-time contracts, and, as reported to you, Chamberlain yesterday spoke a

⁸⁹ British Chancellor of the Exchequer.

⁹⁰ See letter from Ambassador Houghton to the Secretary of State dated Nov. 9, 1925, p. 259.

little more definitely. Aside from this I have received no information at all regarding the formation of an American syndicate to control the entire rubber supply or that negotiations to that end had been carried on for several months. Whether the same is true of the British Foreign Office I cannot say. Would it not be advisable for me to inform Chamberlain that the Government of the United States is wholly without information regarding this movement?

HOUGHTON

841.6176/43 : Telegram

*The Secretary of State to the Ambassador in Great Britain
(Houghton)*

WASHINGTON, December 1, 1925—3 p. m.

352. Your 357,⁹¹ 358,⁹² and 362.⁹³

(1) Until receipt of your recent messages I was entirely ignorant of these negotiations of rubber interests. You may so inform British officials.

(2) This Government cannot countenance any plan to fix the price of rubber or any other commodity. Furthermore, participation by American citizens would certainly be a violation of the spirit if not the letter of our anti-trust laws.

I would be glad if you would as soon as possible take occasion informally to explain to Chamberlain our views in a much wider sense than the question of rubber. We believe that the whole fabric of international commerce and even of wholesome international relations may be undermined unless a halt can be called to governmental price fixing of commodities in international trade. And we believe that Great Britain and the United States, the two greatest importers of raw materials, have the most to lose by such a development. At the present time the price of some 12 different commodities is being fixed by direct or indirect governmental action, and price fixing in at least two more important commodities is now in process of negotiation between different governments, in both of which American and British industry and consumers will be the sufferers. Moreover, the apparent success of price fixing in rubber has given great strength to the movement along similar lines among American cotton growers and among other American agricultural industries where the costs of production have been inadequately met by world prices. If our government becomes a party to such practices as to imports it cannot consistently refuse to allow such combinations upon our own soil. This trend in

⁹¹ *Ante*, p. 261.

⁹² *Supra*.

⁹³ Not printed.

international commerce cannot fail to increase unless the great trading nations unitedly oppose it. Recently an attempt to finance the coffee price-fixing in São Paulo with American capital was prevented by our government in the interest not only of our consumers but of those of the rest of the world.⁹⁴ We felt that it was a primary duty to discourage international combinations to fix prices from becoming interlocked with international finance, although we understand that British financiers may supply the capital wanted to continue this combination. We have the same situation in potash.

We do not come to our conclusions solely from the above reasons. It appears to us that the very fact of discussions between ourselves and Great Britain upon rubber prices is but an indication of the inevitable result of governmental price fixing in that the discussions, which should be kept to the markets, will be at once elevated into international negotiations between governments with the addition of innumerable conflicts and arousal of bitter public sentiments upon all sides. Moreover, we know that in the long run industry itself will not develop efficiently or wholesomely under price fixing. It discourages progress in production methods, stifles consumption, increases the use of less efficient substitutes, stimulates abnormal production in non-price-fixing areas where production cannot exist on a sound economic basis.

It would seem to us a most forward step in the progress of international trade and world welfare if the British Government would join with us in discouraging such combinations and the financing thereof. This would, of course, imply the abandonment of the rubber control in respect to which our conclusion is that the world outlook, both consumption and production, makes profitable prices to planters a certainty for many years to come and no such control is longer necessary.

Our government trusts these considerations may appeal to the British Government as put forward in every sincerity and in the interest of the world as a whole.

KELLOGG

841.6176/45 : Telegram

The Ambassador in Great Britain (Houghton) to the Secretary of State

LONDON, December 4, 1925—11 a. m.

[Received 11:45 a. m.]

372. Your 352, December 1, 3 p. m. Saw Chamberlain late yesterday and made statement as directed.

⁹⁴ See vol. I, pp. 533 ff.

Chamberlain said very frankly that he too had known nothing of the negotiations being carried on by certain American[s] until just before he had spoken to me. He does not know whether negotiations were initiated by Churchill or by the Americans, but in any event, he says his Government can hardly be supposed to have knowledge of American law and to determine whether or not persons applying to it are within their legal rights.

Chamberlain went on to say he had promised me an answer before he left for Geneva and that he had put his answer in the form of an *aide-memoire* and that he thought on the whole he had better make the answer as he had originally planned. He then read me the following statement:

"In view of the continued high prices of rubber His Majesty's Government have decided that the exportable percentage of rubber from Ceylon and Malaya on the first February next shall be raised 15 points to 100 percent of the standard production instead of to 95 percent which would be the normal figure on that date under the rubber export restriction regulations. This constitutes the maximum measure of relief which can be made effective in the time and it will in fact be equivalent to the virtual suspension of the existing restriction on exports of rubber.

It may further be stated for the very confidential information of the United States Government that the above represents an interim measure pending the probable introduction of a modified scheme which has for some time been engaging the earnest consideration of the authorities. Various proposals for a modification of the existing scheme have been studied with a view of meeting the present abnormal situation. The advisory committee over which Lord Stevenson presides has already been in consultation on this subject with the more important United States rubber-using interests and His Majesty's Government are now awaiting a further expression of the views of those interests before finally reaching a decision. A certain amount of delay is naturally entailed by this consultation but every effort is being made to hasten the proceedings.

The United States Government will readily agree that to give any publicity to the fact that a revision of the scheme of restriction is under consideration would create extraordinary difficulties in the rubber market and could only do harm to all concerned until such time as the new arrangements have been definitely settled.

The advisory committee have expressed themselves as most willing in the future to meet the representatives of the United States rubber industry in informal conference either at periodic intervals or whenever the representatives in question may find it convenient to come to this country for the discussion of matters of mutual interest."

When Chamberlain finished reading he said again that this was the answer he had originally planned to make but that in view of my representations this answer need not now necessarily be regarded as final. He stated frankly that he thought there was little hope that his Government would change their position. He believed the plan

was useful and perhaps necessary to enable rubber production under proper conditions and he pointed out that the laws controlling and restricting output are local laws enacted in Ceylon or the Malayan States and the like.

Chamberlain leaves for Geneva tomorrow. I fancy, therefore, some weeks will elapse before any reply is vouchsafed.

Official notice has been received today that percentage of rubber for export for the quarter beginning February 1st next will be raised by 15 points to 100 percent. See Embassy's 338 November 3 [2?], 11 [10?] a. m.⁹⁵

HOUGHTON

**ARRANGEMENT BETWEEN THE UNITED STATES AND GREAT
BRITAIN AND NORTHERN IRELAND GRANTING RELIEF FROM
DOUBLE INCOME TAX ON SHIPPING PROFITS**

811.512341Shipping/28

The Acting Secretary of State to the British Ambassador (Howard)

WASHINGTON, August 11, 1924.

EXCELLENCY: Referring to the Embassy's note No. 138 of February 11, 1924, and to previous correspondence relating to a proposed arrangement between the Internal Revenue authorities of the United States and Great Britain with a view to granting relief from double income taxation in cases where the profits arising from the business of shipping are chargeable to both British income tax and to income tax payable in the United States, I have the honor to inform you of the receipt of a letter on the subject from the Secretary of the Treasury.⁹⁶

It appears therefrom that Section 213(b)(8) of the Revenue Act of 1921 which has been reenacted as Section 213(b)(8) of the Revenue Act of 1924 exempts from tax so much of the income of a nonresident alien or foreign corporation as is derived from the operation of a ship or ships documented under the laws of a foreign country if that foreign country in turn exempts from tax so much of the income of a citizen of the United States nonresident in such country and of a corporation organized in the United States as is derived from the operation of a ship or ships documented under the laws of the United States. The question of the exemption from tax of income derived from the operation of British vessels has, as the Embassy has observed, previously been discussed by officials of the

⁹⁵ Not printed.

⁹⁶ None of this correspondence printed.

Treasury Department with Sir Percy Thompson, Deputy Chairman of the British Board of Inland Revenue, who came to the United States for that purpose. I am informed that these discussions proved fruitless because Sir Percy Thompson did not feel at liberty to recede from the British position that the taxability of a corporation as a resident of the United Kingdom should depend not upon the place of incorporation but upon the place "where its real business is carried on and that . . .⁹⁷ is carried on where the control and management of the company abide". (*American Thread Company v. Joyce*, 6 T.C. 163, 164.)

The navigation laws of the United States require that a corporation owning a vessel of the United States be a corporation organized in the United States and that its president and managing directors be citizens of the United States, but there is no requirement that the president and managing directors be residents of this country. It was conceivable therefore that the president and managing directors might reside in the United Kingdom, hold their meetings there, and there exercise control of the corporation. In such a case the corporation would, under British law, have been deemed a resident of the United Kingdom and as such subject to tax upon all its income. It is equally clear, however, that such a corporation would be a corporation organized in the United States and deriving income from the operation of a ship or ships documented under the laws of the United States, and would as such be entitled to exemption from British tax upon income derived from the operation of vessels of the United States, if the exemption offered by Great Britain were to be deemed equivalent to that offered under American law.

It is understood that the proposal which the British Government now makes in its suggested draft of a Declaration in Council⁹⁸ does not require that the American corporation shall operate its business outside the United Kingdom in order to be entitled to exemption from British income tax. The British Government proposes, according to the understanding of the Secretary of the Treasury, to exempt from British income tax (including super-tax) "any profits accruing from the business of shipping carried on with ships documented under the laws of the United States to a citizen of the United States resident outside the United Kingdom or to a corporation organized in the United States". Upon the explicit understanding that the American corporation is thus exempted regardless of whether it does business in the United Kingdom or has an office or place of

⁹⁷ Omission in the original note.

⁹⁸ Transmitted as an enclosure to the British Embassy's note No. 138 of Feb. 11, 1924; not printed.

business therein or whether directors' meetings are held in the United Kingdom and the control of the corporation is there exercised, the Secretary of the Treasury is of the opinion that the offer communicated in the Embassy's note of February 11, 1924, satisfies the requirements of Section 213 (b) (8) of the Revenue Act of 1924, so far as the United Kingdom is concerned.

The Secretary of the Treasury asks that I make clear the fact that the Treasury Department intends to construe Section 213 (b) (8) of the Revenue Act of 1924 as not affording exemption to British subjects or others resident in the British dominions, colonies, dependencies, or possessions, or to corporations organized under and existing by virtue of the laws of the British dominions, colonies, dependencies, or possessions, unless the laws of such dominions, colonies, dependencies, or possessions grant an equivalent exemption to citizens of the United States and to corporations organized in the United States. The exemption from tax of income derived from the operation of ships of British registry will be confined to individuals resident in the United Kingdom, other than citizens of the United States, and to corporations organized under and existing by virtue of the laws of the United Kingdom.

Accept [etc.]

JOSEPH C. GREW

811.512341Shipping/32

The British Ambassador (Howard) to the Secretary of State

No. 1106

WASHINGTON, November 18, 1924.

SIR: With reference to your note of August 11th, relating to a proposed arrangement between the Internal Revenue authorities of Great Britain and the United States with the object of granting relief from double taxation in cases where the profits accruing from the transaction of shipping business are subjected to both British and United States income taxes, I am instructed to inform you that the Board of Inland Revenue of my government agree with the conditions and limitations specified in the note.

My government have accordingly promulgated an Order in Council dated November 7th, 1924, taking effect from that date so far as Great Britain is concerned, and I expect to be able to transmit to you a copy of the Order at an early date.

I am to add that the Irish Free State in common with the other British Dominions is not to be considered as affected by this measure.

I have [etc.]

ESME HOWARD

811.512341Shipping/33

The British Ambassador (Howard) to the Secretary of State

No. 1148

WASHINGTON, November 26, 1924.

SIR: With reference to my Note of November 18th, I now have the honour to transmit herewith for your information copy of an Order of His Majesty the King in Council, dated November 7th, 1924, and taking effect from that date, regarding the arrangement with your government for the reciprocal exemption of shipping profits from income tax.

I have [etc.]

ESME HOWARD

[Enclosure]

British Order in Council, November 7, 1924

WHEREAS it is provided by subsection (1) of section eighteen of the Finance Act, 1923, that if His Majesty in Council is pleased to declare—

- (a) that any profits or gains arising from the business of shipping which are chargeable to British income tax are also chargeable to income tax payable under the law in force in any foreign state; and
- (b) that arrangements, as specified in the declaration, have been made with the government of that foreign state with a view to the granting of relief in cases where such profits and gains are chargeable both to British income tax and to the income tax payable in the foreign state;

then, unless and until the declaration is revoked by His Majesty in Council, the arrangements specified therein shall, so far as they relate to the relief to be granted from British income tax, have effect as if enacted in that Act, but only if and so long as the arrangements, so far as they relate to the relief to be granted from the income tax payable in the foreign state, have the effect of law in the foreign state:

AND WHEREAS it is provided by section two hundred and thirteen of the Act of Congress of the United States of America known as the Revenue Act of 1921, that the term "gross income", for the purpose of income tax chargeable under the law of the United States of America, shall not include the income of a non-resident alien or foreign corporation which consists exclusively of earnings derived from the operation of a ship or ships documented under the laws of a foreign country which grants an equivalent exemption to citizens of the United States and to corporations organised in the United States:

AND WHEREAS His Majesty's Government have intimated to the Government of the United States of America that they propose to take the necessary steps under the said section eighteen of the Finance

Act, 1923, for providing that any profits accruing from the business of shipping carried on with ships documented under the laws of the United States to a citizen of the United States resident outside the United Kingdom or to a corporation organised in the United States shall be, and as from the first day of May, nineteen hundred and twenty-three, be deemed to have been, exempt from income tax (including super-tax) chargeable in the United Kingdom:

AND WHEREAS the Government of the United States of America have signified to His Majesty's Government that they are prepared to regard the exemption to be provided as aforesaid as an equivalent exemption within the meaning of section two hundred and thirteen of the Act of Congress of the United States known as the Revenue Act of 1921:

Now, THEREFORE, His Majesty is pleased, by and with the advice of His Privy Council, to declare, and it is hereby declared—

- (a) that certain profits or gains arising from the business of shipping which are chargeable to British income tax are also chargeable to the income tax payable under the law in force in the United States of America; and
- (b) that the arrangements aforesaid have been made with a view to the granting of relief in cases where profits or gains arising from the business of shipping are chargeable both to British income tax and to the income tax payable in the United States of America.

AND HIS MAJESTY is further pleased to order, and it is hereby ordered, that this Declaration may be cited as The Relief from Double Income Tax on Shipping Profits (United States of America) Declaration, 1924.

M. P. A. HANKEY

811.512341 Shipping/33

The Secretary of State to the British Ambassador (Howard)

WASHINGTON, *January 15, 1925.*

EXCELLENCY: I have the honor to refer to your note No.1148 dated November 26, 1924, enclosing a copy of an Order of His Majesty the King, in Council, dated November 7, 1924, regarding the arrangement with your Government for the reciprocal exemption of shipping profits from income tax.

The appropriate authorities of this Government have been giving consideration to the matter and feel that some uncertainty exists with regard to the provision in the third paragraph of the Order in Council to the effect that the exemption shall be deemed to take effect on May 1, 1923, whereas your note transmitting the Order in

Council dated November 7, 1924, states that it will take effect "from that date".

I shall be grateful if you will be so good as to furnish me a statement regarding the exact date from which exemption is granted to American citizens or corporations under British laws in order that the exemption of British subjects or corporations under the laws of the United States may be made effective from the same date.

Accept [etc.]

CHARLES E. HUGHES

811.512341 Shipping/35

The British Ambassador (Howard) to the Secretary of State

No. 159

WASHINGTON, *February 13, 1925.*

SIR: I have the honour to refer to your note of January 15th, concerning the arrangement with my Government for the reciprocal exemption of shipping profits from income tax and to inform you in reply to the enquiry contained in the last paragraph, that the date from which exemption from British Income Tax (including supertax) is granted in respect of shipping profits of American citizens or corporations under British laws is May 1st, 1923. I venture to request that instructions may be issued without delay by the appropriate authorities of your Government whereby the British interests concerned may benefit by this arrangement from the date above mentioned.

I have [etc.]

ESME HOWARD

811.512341 Shipping/37

The Secretary of State to the British Ambassador (Howard)

WASHINGTON, *March 16, 1925.*

EXCELLENCY: I have the honor to refer to your note No. 159 dated February 13, 1925, concerning the arrangement for the reciprocal exemption of shipping profits from income tax and to state that a communication has now been received from the appropriate authority of this Government in which it is stated that careful consideration has been given to the Order in Council dated November 7, 1924, and to the statements contained in your note above mentioned, and that it has been decided that Great Britain satisfies the equivalent exemption provisions of Section 213 (b) (8) of the Revenue Act of 1921. Reference is also made to the Act of Congress approved June 2, 1924, known as the Revenue Act of 1924, which contains the provision relating to taxation for 1924 and subsequent years. The provisions of Section 213 (b) (8) of the Revenue Act of 1924 are identical in terms with the corresponding section of the Revenue Act of

1921. It is therefore held that Great Britain satisfies the equivalent exemption provisions of Section 213 (b) (8) of the Revenue Act of 1924.

It has also been determined that the exemption from Federal tax under this holding shall be deemed to be effective from May 1, 1923, the date stipulated by your Government as the date from which the exemption applies under British laws to the income of American citizens not resident in the United Kingdom and corporations organized in the United States, derived from the operation of ships documented under the laws of the United States.

Reference is also made to the last paragraph of Mr. Grew's note dated August 11, 1924, setting forth the construction to be placed upon Section 213 (b) (8). In the last paragraph of your note No. 1106 dated November 18, 1924, you stated that "the Irish Free State in common with the other British Dominions" was not to be considered as affected by the Order in Council. Accordingly the exemption from Federal taxation in the United States will be applied on the basis of this understanding.

Accept [etc.]

FRANK B. KELLOGG

ARRANGEMENT BETWEEN THE UNITED STATES, GREAT BRITAIN, CANADA, AND NEWFOUNDLAND REGULATING WIRELESS BROADCASTING BY SHIPS OFF THEIR COASTS

811.7441/21

The British Chargé (Chilton) to the Secretary of State

No. 796

MANCHESTER, MASS., *September 8, 1925.*

[Received September 10.]

SIR: With reference to your note of July 1st, and to previous correspondence concerning the proposed reciprocal arrangement between the United States Government and His Majesty's Government for preventing interference by ships with wireless broadcasting,⁹⁹ I have the honour, under instructions from His Majesty's Principal Secretary of State for Foreign Affairs, to inform you that it has been duly noted that the United States regulations do not now require American ships to be equipped for using the 300 metres wave and that it would seem clear, therefore, that the suggestion in your note under reference for the use of the wave on American ships to be permitted regionally in British waters was merely put forward by the United States Government with a view to meeting what was understood to be the views of His Majesty's Government. I am to point

⁹⁹ None of this correspondence printed.

out that the 300 metre wave is used principally in European waters by fishing vessels and other small craft, and it would be impracticable satisfactorily to define the areas in which the wave might be employed. As its use even by such ships may in the near future be abolished, His Majesty's Government are of opinion that it is now unnecessary to qualify the prohibition in regard to United States ships in British waters.

His Majesty's Government are in agreement with the opinion expressed in the penultimate paragraph of Mr. Hughes' note on the subject of December 9th last¹ to the effect that the proposed reciprocal arrangement can be concluded by an exchange of notes, and I am accordingly authorized to inform you that subject to any modifications which may be agreed to internationally at the next International Conference on Radiotelegraphy, ships registered in Great Britain and Northern Ireland will, from October 1st next, be prohibited from using the waves of three hundred and four hundred and fifty metres within two hundred and fifty miles of the coasts of the United States on condition that United States ships will, from October 1st next, be similarly prohibited from using those waves within two hundred and fifty miles of the coasts of the United Kingdom.

In regard to the conclusion of a similar arrangement between Canada and Newfoundland on the one hand, and the United States on the other, I have the honour to inform you that I am awaiting separate instructions which Mr. Secretary Chamberlain has promised to furnish me with at an early date, and on receipt of which I shall not fail to communicate with you in the matter forthwith.

I have [etc.]

H. G. CHILTON

811.7442/18

The British Chargé (Chilton) to the Secretary of State

No. 823

MANCHESTER, MASS., *September 18, 1925.*

[Received September 21.]

SIR: With reference to your note of September 15th¹ concerning the proposed reciprocal agreement by an exchange of notes between the United States Government and His Majesty's Government for preventing interference by ships with radiobroadcasting, I have the honour, under instructions from His Majesty's Principal Secretary of State for Foreign Affairs, to inform you that the Canadian Government desire to conclude with the United States Government a

¹ Not printed.

reciprocal agreement in terms similar to those proposed in my note No. 796 of September 8th.

I have [etc.]

H. G. CHILTON

811.7441/24

The Secretary of State to the British Chargé (Chilton)

WASHINGTON, *September 25, 1925.*

SIR: Referring to your note No. 796, dated September 8, 1925, and to the Department's note dated September 15, 1925,² concerning the proposed reciprocal arrangement between the Government of the United States and His Majesty's Government for preventing interference by ships with wireless broadcasting, I am pleased to state that, subject to any modifications which may be agreed to internationally at the next international conference on radiotelegraphy, ships registered in the United States will, from October 1st next, be prohibited from using the waves of 300 and 450 meters within two hundred and fifty miles of the coasts of the United Kingdom upon the understanding that ships registered in Great Britain and Northern Ireland will, from October 1st next, be similarly prohibited from using these waves within two hundred and fifty miles of the coasts of the United States. Appropriate orders to give effect to this arrangement have been issued by the interested Departments of this Government.

Accept [etc.]

FRANK B. KELLOGG

811.7443/-

The British Chargé (Chilton) to the Secretary of State

No. 833

WASHINGTON, *September 29, 1925.*

SIR: With reference to your note of September 25th, concerning the reciprocal agreement by an exchange of notes between the United States Government and His Majesty's Government for preventing interference by ships with wireless broadcasting, and to my note No. 823 of September 18th, in which I informed you that the Canadian Government desired to conclude with the United States Government a reciprocal agreement in terms similar to those proposed in my note No. 796 of September 8th, I have the honour, under instructions from His Majesty's Principal Secretary of State for Foreign Affairs, to inform you that the Government of Newfoundland also desire to conclude with the United States Government a similar agreement.

The Canadian Government and the Government of Newfoundland are anxious that these agreements should enter into force on October

² Not printed.

1st next and I have the honour, therefore, to request that I may be informed at the earliest possible moment whether the United States Government are prepared to issue the orders necessary to give effect to these agreements by that date.

I have [etc.]

H. G. CHILTON

811.7442/18

The Secretary of State to the British Chargé (Chilton)

WASHINGTON, *October 1, 1925.*

SIR: Referring to your note No. 823, dated September 18, 1925, and to the Department's note dated September 23, 1925,³ concerning the proposed reciprocal arrangement between the Government of the United States and the Canadian Government for preventing interference by ships with wireless broadcasting, I am pleased to state that, subject to any modifications which may be agreed to internationally at the next international conference on radiotelegraphy, ships registered in the United States will, from October 1, 1925, be prohibited from using the waves of 300 and 450 meters within two hundred and fifty miles of the coasts of Canada upon the understanding that ships registered in Canada will, from October 1, 1925, be similarly prohibited from using these waves within two hundred and fifty miles of the coasts of the United States. Appropriate orders to give effect to this arrangement have been issued by the interested Departments of this Government.

Accept [etc.]

FRANK B. KELLOGG

811.7443/-

The Secretary of State to the British Chargé (Chilton)

WASHINGTON, *October 1, 1925.*

SIR: Referring to your note No. 833, dated September 29, 1925, in which you state that the Government of Newfoundland desires to conclude with the Government of the United States a reciprocal arrangement for preventing interference by ships with wireless broadcasting, I am pleased to state that, subject to any modifications which may be agreed to internationally at the next international conference on radiotelegraphy, ships registered in the United States will, from October 1, 1925, be prohibited from using the waves of 300 and 450 meters within two hundred and fifty miles of the coasts of Newfoundland upon the understanding that ships registered in Newfoundland will, from October 1, 1925, be similarly prohibited from

³ Not printed.

using these waves within two hundred and fifty miles of the coasts of the United States. Appropriate orders to give effect to this arrangement have been issued by the interested Departments of this Government.

Accept [etc.]

FRANK B. KELLOGG

**PROTEST AGAINST DISCRIMINATORY EMBARGO ON AMERICAN
POTATO SHIPMENTS INTO THE BRITISH ISLES**

841.612/21

The British Ambassador (Howard) to the Secretary of State

No. 1262

WASHINGTON, December 26, 1924.

SIR: I have the honour to inform you that I am in receipt of a telegram from my Government to the effect that an order, dated 23rd December, 1924, has been promulgated by my Government whereby the landing in England or Wales of potatoes grown in the United States is prohibited. I am advised that this Order has been issued under the provisions of the British Destructive Insects and Pests Acts of 1877 and 1907 and the object of the measure is to prevent the introduction into Great Britain of the Colorado beetle. I am informed, also, that although the Order takes immediate effect, potatoes which may have been shipped from the United States before 23rd December will not be refused entry.

In requesting you to convey this information to the appropriate authorities of the United States Government, I beg to state that I shall be pleased to furnish you with a copy of the text of the Order in due course.

I have [etc.]

ESME HOWARD

841.612/23c : Telegram

The Secretary of State to the Ambassador in Great Britain (Kellogg)

WASHINGTON, December 29, 1924—4 p. m.

488. British Ministry Agriculture order dated December 24 [23?] prohibits importation into England and Wales of potatoes grown in United States, for prevention introduction of Colorado Potato beetle. Consult Foley, United States Department Agriculture representative, and ascertain whether this or similar order bars importation potatoes from Canada. If Canadian potatoes admitted, make immediately representations to Foreign Office in following sense, emphasizing urgency of matter:

The Colorado potato beetle, according to the records of the Department of Agriculture, is and has been long established in Canada.

The situation of Canada regarding this insect seems to be about the same as that of the United States.

Consequently, it is urged that potatoes grown in the United States be accorded by the British Government treatment similar to that accorded potatoes grown in Canada, and be admitted to England and Wales under the same conditions.

It appears that for the first time in many years it has this year been found profitable to export potatoes from Maine to England. The imposition of the British order of December 24 [23?] stops this trade, and, if potatoes grown in New Brunswick and other parts of Canada were admitted to England the action of the British Government would appear to constitute discrimination in favor of Canadian potatoes.

The United States Department of Agriculture has stationed inspectors at Portland, Maine, to issue the certificates required by the existing British quarantine regulations. Department of Agriculture reports that there is little danger of the transportation of beetle in potatoes coming out of winter storage, especially those passed over screen or mechanical grader. Beetle is not active in winter and does not hibernate in tuber.

For evidence of prevalence of beetle in Canada, refer to Tower's "Evolution in *Leptinotarsa*", pages 32, 35, 36; also Bulletin 52, Canadian Department of Agriculture (1905), page 39; also Report of Dominion Entomologist, 1916, page 50.

If prohibition continues only few weeks, it will result in cancellation existing and prospective contracts and loss of trade to American shippers. Hence immediate admission American potatoes same terms as Canadian extremely important.

In case Canadian potatoes also excluded, make no representations, but report by cable.

HUGHES

841.612/25 : Telegram

The Ambassador in Great Britain (Kellogg) to the Secretary of State

LONDON, December 30, 1924—4 p. m.

[Received December 30—1:25 p. m.]

542. Your 488, December 29, 4 p. m. Canadian potatoes not prohibited. Am making representations as instructed.

KELLOGG

841.612/29a : Telegram

The Secretary of State to the Ambassador in Great Britain (Kellogg)

WASHINGTON, *January 3, 1925—4 p. m.*

6. Department understands that embargo against American potatoes just imposed by Irish Free State. If your information confirms this, please repeat to Consulate General, Dublin, Department's telegrams Nos. 488, December 29, 4 p. m., 492, December 30, 7 p. m. and No. 3, January 2, 5 p. m.⁴ Consulate General being instructed directly make representations to Free State if embargo solely directed against American potatoes.⁵

HUGHES

841.612/30 : Telegram

The Ambassador in Great Britain (Kellogg) to the Secretary of State

LONDON, *January 5, 1925—5 p. m.*

[Received January 5—1:42 p. m.]

11. Department's 6, January 3, 4 p. m. Telegrams repeated to Dublin as instructed. Embargo in Irish Free State has been in effect since about November 1st.

Embargo for Northern Ireland went into effect January 3rd. Shall I also make representations protesting against it?⁶

Department's 8, January 3, 6 p. m.⁷ Am making every effort to hasten reply which will be telegraphed immediately.

KELLOGG

841.612/31 : Telegram

The Consul General at Dublin (Hathaway) to the Secretary of State

DUBLIN, *January 9, 1925—5 p. m.*

[Received January 9—2 p. m.]

Replying to your January 3, 4 p. m.⁸ Irish Government still proceeding under special Irish importation of potatoes order (see *Dublin Gazette*, November 5, 1920) as amended by "the destructive insects and pests (Irish) order 1922", and the "Colorado beetle order 1923" the latter applying only to France. Irish Department of

⁴ No. 492 and No. 3 not printed.

⁵ Telegram not printed.

⁶ On January 6 the Ambassador was instructed to make representations against embargo in Northern Ireland in accordance with the Department's instructions regarding the British embargo.

⁷ Not printed.

⁸ Not printed; see Department's telegram to Ambassador Kellogg, Jan. 3, 4 p. m., *supra*.

Agriculture does not intend to issue new order but has in mind to refuse all licenses to both Canada and the United States until better reports concerning Colorado beetle are received.

HATHAWAY

841.612/44 : Telegram

The Secretary of State to the Ambassador in Great Britain (Kellogg)

WASHINGTON, January 30, 1925—6 p. m.

52. Your 39, January 26, noon.⁹ Governor of Maine and delegation of prominent dealers called at Department today urging removal of embargo. They are discussing matter with the President January 31.

United States Department of Agriculture is prepared to inspect potatoes for export and to give certificate of freedom from disease and infestation by beetle. Certificate would follow requirement of British order of 1920.

It is understood that either British Minister of Agriculture or responsible official of Ministry informed L. S. Bean and O. G. Bishop, of Presque Isle, Maine, who were in England in December representing Maine growers, that British Government would permit entry shipments accompanied by federal certificate of freedom from infestation. New Brunswick shipments are admitted on such certificates issued, it is understood, only by provincial agricultural authorities.

Please call personally at Foreign Office, leave memorandum as to certificates that will be given by United States Department of Agriculture, and urge removal of embargo as obviously discriminatory, and as apparently not justified by health considerations. For data on latter see Department's telegram No. 37, January 17, 6 p. m.⁹

[Paraphrase.] The season for potato shipping will extend until June 1. Removal of the British embargo will afford valuable outlet for bumper Maine crop. Department requests your most energetic personal efforts in this matter. [End paraphrase.]

HUGHES

841.612/47 : Telegram

The Ambassador in Great Britain (Kellogg) to the Secretary of State

LONDON, February 2, 1925—4 p. m.

[Received February 2—2:55 p. m.]

47. Your 52, January 30, 6 p. m. I personally presented a strong note to Chamberlain on the potato shipments and verbally explained

⁹ Not printed.

the whole situation, urging him to raise the embargo in view of the certificate Department proposed. He promised to take the matter up [with] the Minister of Agriculture at once as the matter of shipments from Canada was under investigation, but made no definite promises.

KELLOGG

841.612/54 : Telegram

The Chargé in Great Britain (Sterling) to the Secretary of State

LONDON, *February 27, 1925—4 p. m.*

[Received February 27—3:37 p. m.]

85. Embassy's 77, February 21, 11 a. m.¹⁰ Foreign Office note¹⁰ received today states His Majesty's Government regret they cannot withdraw embargo and confirms an order as of February 20th prohibiting the importation of potatoes grown in Canada for the same reason as those grown in the United States are prohibited.

STERLING

ARRANGEMENTS FOR A VISIT BY AN AMERICAN FLEET TO
AUSTRALIA AND NEW ZEALAND

811.3347/42

The Secretary of State to the British Ambassador (Howard)

WASHINGTON, *March 19, 1925.*

EXCELLENCY: I have the honor, at the request of the Secretary of the Navy, to bring to your attention the plans which are now proposed for a cruise of a portion of the American Fleet to Australia and New Zealand during the coming summer.

It is at present contemplated that Melbourne and Sydney, Australia, and Auckland and Wellington, New Zealand, will be visited. The units will consist of a cruiser, the Fleet Flagship; a Division of light cruisers; two destroyer squadrons; three battleship divisions, and approximately eleven auxiliary vessels. The present plan contemplates that the Fleet Flagship, a Division of three battleships, a Division of four light cruisers, and two squadrons of destroyers with a light cruiser as flagship, will arrive at Melbourne on July 20 and will remain at that port until August 3, on which date these vessels will proceed to Wellington, arriving there August 8 and departing August 22.

The major portion of the battle fleet, consisting of a battleship, Flagship of the Commander in Chief of the battle fleet, and two ad-

¹⁰ Not printed.

ditional battleship divisions comprising six battleships, will arrive at Sydney July 18, departing August 3rd. It will arrive at Auckland August 7, and will remain until August 24.

The disposition of the auxiliary vessels of the Fleet will be determined by the current needs existing at that time, and certain of these vessels will visit each of the four ports in question.

If the Commander in Chief of the Fleet finds it feasible within the time limit and with regard to overhauling, provisioning, and fueling, he may be able to detail vessels to visit Adelaide, Hobart, Brisbane, Dunedin and Christchurch.

In view of the large number of ships concerned, the Secretary of the Navy states that he would be pleased to receive any comment that the appropriate Australian and New Zealand authorities may desire to make in this connection in order that such modifications in the schedule as may appear desirable and practicable may be made in ample time.

Accept [etc.]

FRANK B. KELLOGG

811.3347/53

The British Ambassador (Howard) to the Secretary of State

No. 339

WASHINGTON, April 3, 1925.

SIR: I have the honour to refer to your note of the 19th ultimo, in which you furnished me with an outline of the plans for the cruise of a portion of the United States fleet to Australian and New Zealand waters during the coming summer, and, in accordance with the courteous offer of the Secretary of the Navy as quoted by you, to submit, on behalf of the Australian Government, the following preliminary observations in regard to the matters dealt with in your communication under reference.

While the Commonwealth Government are fully aware of the difficulty of drawing up a programme for so large a fleet, they desire me to state that the people of Australia would greatly appreciate the inclusion in the schedule of all the provincial capitals of the Commonwealth, or as many as possible thereof, preference being decided in accordance with the size of populations of the various cities. If it should be found impossible to amend the programme to this extent, the Commonwealth Government would suggest that arrangements be made for the fleet to steam in close to the shore wherever practicable.

The Government of Australia have requested me to point out that the arrival of that portion of the fleet detailed to visit Sydney at the port in question two days before the Melbourne squadron reaches its destination is likely to prove embarrassing, as, in their opinion, it is

most undesirable that any of the visiting warships should touch at an Australian port before the arrival of a division at the seat of the Federal Government. In view of the importance attached to this question by the Commonwealth Government, I would express the earnest hope that the interested authorities of the United States will be disposed to take action so as to ensure that disembarkation is carried out at Melbourne some hours earlier than at Sydney, more especially as the Commonwealth Government will then be in session. I am further to point out that if the suggestions contained in this paragraph are carried out, the necessary landing and reception arrangements would be greatly facilitated.

I have the honour to request that the Admiral Commanding-in-Chief be advised to conduct all correspondence relative to the reception of the fleet at Melbourne etc., through the Prime Minister's department, as it is considered that this will avoid all overlapping and confusion.

I should be grateful to receive in due course an expression of your views upon the contents of this note, for communication to the Government of Australia.

I have [etc.]

ESME HOWARD

811.3347/57

The Secretary of State to the British Ambassador (Howard)

WASHINGTON, April 16, 1925.

EXCELLENCY: I have the honor to make further reference to your note No. 339, of April 3, 1925, making certain observations on behalf of the Australian Government regarding the plans for the proposed visit of a portion of the American Fleet to Australia and New Zealand next summer.

The comments of the Secretary of the Navy on the points raised in your note have now been received.

With regard to visits to Australian ports other than Melbourne and Sydney, the Commander-in-Chief of the Fleet, after a recent conference in San Francisco with Mr. Elder,¹¹ has now determined upon the following itinerary, which has been arranged with a view to meeting, as far as possible, the courteous suggestions of Australian and New Zealand authorities, and at the same time having due regard to the requirements of the Fleet.

One section of the Fleet will arrive at Melbourne on July 23. It will consist of the Fleet Flagship, one division of three battleships, one division of four light cruisers, and two destroyer squadrons, com-

¹¹ Australian Commissioner in the United States.

prising twenty-eight destroyers with a light cruiser flagship. This section will proceed to Wellington, New Zealand, on August 6, with the exception of the division of four light cruisers, which will depart from Melbourne on August 3, visiting Hobart from August 5 to August 7, and arriving at Wellington, along with the other vessels of this section, on August 11.

The other section of the Fleet will arrive at Sydney on July 23, remaining until August 6, when it will proceed to Auckland, New Zealand. This section will consist of the Flagship of the Commander-in-Chief of the Battle Fleet, and two battleship divisions, eight battleships in all. It will arrive at Auckland August 11, and depart therefrom August 25.

The auxiliaries of the Fleet, about eleven in number, will be distributed in accordance with then existing needs.

You will observe that, in accordance with the desire of the Australian Government, arrival at Melbourne and Sydney will be on the same date. It has further been arranged to have the detachment for Melbourne arrive at a prior hour on July 23.

The Commander-in-Chief will be advised to conduct all correspondence relative to the reception of the Fleet at Australian ports through the Prime Minister's Department. Further, the suggestion of the Australian Government relative to steaming as close to the shore as practicable will be forwarded to the Commander-in-Chief. The Secretary of the Navy expresses the belief that the latter will follow this suggestion, having in view the necessities of the Fleet, the local hydrographic conditions and the weather prevailing at the time.

Accept [etc.]

FRANK B. KELLOGG

811.3347/89 : Telegram

The British Chargé (Chilton) to the Secretary of State

MANCHESTER, MASS., July 24, 1925.

[Received 3:12 p. m.]

I have the honor to communicate to you the following message which I have received by cable from the Governor General of Australia and which His Excellency requests may be passed to the President of the United States:

On behalf of the Government and people of Australia I send this message of greeting. To you as President and through you to the people of your great country we are delighted to express our most cordial feelings of friendship and good will in welcoming to Australian points the commander-in-chief, the officers and men of the great fleet of the United States of America.

The people of the United States of America have shown to the world its will to peace and its deep desire to strengthen the bonds of

friendship between nations. Under the guidance of your government the powers and peoples of the Pacific have given practical effort [*effect?*] to this will and this desire, and the achievements of the Washington Conference are the happiest augury for the future peace of the world.

The visit of the United States Fleet will strengthen the friendship between our peoples and widen and deepen our mutual understanding. Australia trusts that under Divine guidance we shall realize the destiny that lies before us in peace and amity with all the nations of the world. Signed Forster, Governor General.

CHILTON

811.3347/89 : Telegram

The Secretary of State to the Consul at Melbourne (Anderson)

WASHINGTON, July 25, 1925—6 p. m.

Please deliver the following message to the Governor General in answer to his message sent to the President through the British Embassy:

“I have received with appreciation the cordial message you have sent me on behalf of the Government and people of Australia on the occasion of the visit of the American Fleet. I know that the people of Australia join with the people of the United States in their purpose of maintaining the peace of the world. This, I believe, can best be secured through a full and sympathetic understanding between the nations, through faith in their honorable intentions, through their common determination to eliminate causes of possible dispute and their integral fulfillment of international obligations. In questions touching the great region of the Pacific, I am sure that our aims will always be similar, that with the assistance of the other nations which look out on the Pacific peace will be so clearly the established order that it will become a beneficent tradition. It is my earnest hope that this visit of the fleet will draw more closely the bonds of friendship between our two commonwealths that through the understanding so developed it will strengthen our common will for peace. Signed Calvin Coolidge”.

KELLOGG

GREECE

LOAN BY ULEN & COMPANY TO THE GREEK GOVERNMENT UNDER A CONTRACT TO BUILD WATERWORKS FOR ATHENS AND THE PIRAEUS

868.151/21

The Greek Minister (Simopoulos) to the Secretary of State

[Translation]

WASHINGTON, *April 15, 1925.*

MR. SECRETARY OF STATE: I have the honor to inform you that the Hellenic Government has concluded a contract with Ulen and Company, an American organization, for the construction of a waterworks system for the cities of Athens and The Piraeus.

For the execution of this contract, Ulen and Company must float for the Greek Government a loan of \$10,000,000.

The Hellenic Government proposes to offer as security for the service of this loan the money which will be paid by the inhabitants of Athens and The Piraeus for the water which is to be furnished them and also a mortgage on the works which are to be constructed. Although these rights constitute sufficient security for the service of this loan, the Hellenic Government is prepared to offer as subsidiary security for the same purpose, the surplus of the revenues affected to the service of the public debt which are under the control of the International Financial Commission.

In view, therefore, of the stipulation in Article 4 of the financial convention signed at Paris in February 1918,¹ that "No additional security may be assigned for the service of a foreign loan without the assent of the Governments of the United States, France, and Great Britain," I have the honor to ask you to grant this assent in order that the Hellenic Government may proceed as soon as possible to the settlement of this question which is of a vital interest for the two largest cities of Greece.

Please accept [etc.]

CH. SIMOPOULOS

¹ Printed in *Greek Debt Settlement: Hearings before the Committee on Ways and Means, House of Representatives, 70th Cong., 1st sess., on H. R. 10760 (Washington, Government Printing Office, 1928)*, p. 51.

868.151/21

The Secretary of State to the Greek Minister (Simopoulos)

WASHINGTON, May 5, 1925.

SIR: I have the honor to acknowledge the receipt of your note of April 15, 1925, in which you state that a contract has been concluded by the Hellenic Government with Ulen and Company, an American organization, for the construction of a waterworks system for the cities of Athens and The Piraeus. You indicate that for the purpose of executing this contract Ulen and Company must float for the Greek Government a loan of \$10,000,000. In this connection you refer to Article 4 of the financial agreement signed at Paris in February 1918 between the Governments of the United States, Great Britain, and France, and the Hellenic Government, and you therefore request that the assent of the United States Government be given for the pledging by Greece of the security offered for the service of the loan of \$10,000,000 to be floated by Ulen and Company.

In reply, I wish to state that this Government, in view of the purposes the proposed loan is intended to serve, will offer no objection to the pledging of the specific securities mentioned in your note of April 15 which the Greek Government desires to offer for the service of the loan in question.

It should also be understood that the present consent by the Government of the United States is given with full reservation of all questions with respect to the agreement of February 1918.

Accept [etc.]

FRANK B. KELLOGG

868.151/32

The Greek Minister (Simopoulos) to the Secretary of State

[Translation]

No. 713

WASHINGTON, 7 May, 1925.

MR. SECRETARY OF STATE: I have had the honor to receive your letter under date of May 5th by which you inform me that the Government of the United States gives its consent for the flotation of the loan mentioned in my letter of the 15th of April, with reservation of all questions arising under the financial agreement of February 1918.

In reply I beg to express to you my sincere thanks for your kind communication and at the same time to bring to your attention that for the purpose of proceeding to immediate execution of provisional works for the furnishing of water a loan of \$1,000,000 is indispensable.

This preliminary loan will be issued under the same conditions as the preceding one mentioned in my note of April 15th.

While communicating this to you I have the honor to beg you, Mr. Secretary of State, to be so kind as to use your intervention in order

that the Government of the United States may give its consent for the issue of this supplementary loan, destined to meet the urgent needs of Athens and of The Piraeus.

Please accept [etc.]

CH. SIMOPOULOS

868.151/35

Ulen & Company to the Department of State

NEW YORK, May 14, 1923 [1925].

[Received May 15.]

SIRS: Knowing it is the desire of the Department to be informed of prospective bond issues to be placed in the United States we are advising you that under our contract signed with the Government of Greece on December 23rd [22nd], 1924, copy of which we forwarded you May 11th, 1925,² we agree to take \$10,000,000. of Government bonds in payment for the work covered by the contract. The Banque d'Athènes is a party to the contract to the extent of taking \$5,000,000. of these bonds.

We also wish to advise you that under our contract signed with the Government of Greece on May 9th, 1925, copy of which we are forwarding you under separate cover today,² we agree to take \$1,000,000. of Government serial bonds in payment for the work covered by this contract. The Banque d'Athènes is a party to this contract also to the extent of taking \$500,000. of these bonds.

A New York banking institution will be appointed as Trustee for both of these issues.

If the Department has no objections, we would appreciate an expression of approval of the placing of these two issues in the United States.

We will be glad to furnish any further information you desire in connection with these bonds and contracts.

Very respectfully,

ULEN & COMPANY
By THOMAS S. SHEPPERD

868.151/32

The Secretary of State to the Greek Minister (Simopoulos)

WASHINGTON, May 23, 1925.

SIR: I have the honor to acknowledge the receipt of your note of May 7, 1925 in which you inform me that the Greek Government desires to issue, in connection with its \$10,000,000 contract with Ulen and Company for the construction of a waterworks system for the cities of Athens and The Piraeus, a supplementary loan of \$1,000,000. You

² Not printed.

indicate that it is proposed to employ the proceeds of this million dollar loan for the immediate execution of provisional works which will insure a supply of water until the permanent construction is completed. You further indicate that this preliminary loan will be issued with the same securities and under the same conditions which were specified in your note of April 15, 1925 with reference to the loan for \$10,000,000. You request the assent of this Government to the pledging by Greece of this security for the supplementary loan of \$1,000,000.

In reply I beg to inform you that having offered no objection to the pledging of the securities for the principal loan of \$10,000,000, as communicated to you in my note of May 5, 1925, this Government will not be opposed to the pledging of the same securities for the supplementary loan of \$1,000,000 in question.

As set forth in previous correspondence, it should also be understood that the present consent of the Government of the United States is given with full reservation of all questions with respect to the Agreement of February 1918.

Accept [etc.]

FRANK B. KELLOGG

868.151/35

The Secretary of State to Ulen & Company

WASHINGTON, *May 25, 1925.*

SIRS: I beg to acknowledge the receipt of Mr. Shepperd's letter of May 14, 1925, regarding the flotation in the United States of the bonds to be received by you from the Greek Government under your contracts of December 23, 1924, and May 9, 1925, for the construction of water works for Athens and The Piraeus.

In reply to your inquiry I take pleasure in stating that the Department of State, in the light of the information before it, offers no objection to the sale of these bonds in the American market. You of course appreciate that, as pointed out in the Department's announcement of March 3, 1922, the Department of State does not pass upon the merits of foreign loans as business propositions nor assume any responsibility in connection with such transactions, also that no reference to the attitude of this Government should be made in any prospectus or other advertising matter. A copy of the Department's statement of March 3, 1922, is enclosed herewith.³

I am [etc.]

For the Secretary of State:

JOSEPH C. GREW

Under Secretary

³ *Foreign Relations, 1922, vol. I, p. 557.*

868.151/37: Telegram

*The Acting Secretary of State to the Ambassador in Great Britain
(Houghton)*

WASHINGTON, June 6, 1925—1 p. m.

176. (1) On December 22, 1924, Ulen and Company, of New York, concluded with the Greek Government a contract for the construction of waterworks for the cities of Athens and Piraeus. Under this contract, which was ratified by the Greek Parliament on April 3, 1925, bonds to the amount of \$10,000,000 are to be issued by the Greek Government secured in the manner described in Article 19 of the Contract substantially as follows:

“(a) Revenues of waterworks existing in Athens and Piraeus or to be constructed under the contract;

(b) A first lien upon existing waterworks construction at Athens and Piraeus and upon the works to be constructed pursuant to the contract;

(c) The excess of revenues, assigned to the service of the Public Debt, and subject to the control of the International Financial Commission but only to the amount necessary to pay the said service of interest and amortization. . . .⁴ The said revenues shall be subject only to the prior charge for the service of loans made previous to the date of this contract and for which the said revenues are pledged by law.”

Under a subsidiary contract for provisional waterworks construction signed later and not requiring Parliamentary ratification, bonds to the amount of \$1,000,000 are to be issued, ranking after the service of the bonds for \$10,000,000 as a charge upon the same security. On April 15 and May 7, 1925, the Greek Government, through its Minister at Washington, acting in pursuance of the Loan Agreement of 1918, requested the assent of the United States to the pledging of the security specified in the contracts with Ulen and Company. Requests of the British and French Governments are understood to have been made at the same time.

(2) In view of the urgent need of improved waterworks for Athens and Piraeus, particularly under the conditions resulting from the large accession of refugees, and in view of the fact that the payments of principal and interest of the contemplated loans will apparently be met out of the revenues to be derived from the operation of the waterworks, the Department under dates of May 5 and 23 communicated to the Greek Legation its assent to the pledging of the security specified in the contracts. The Department is informed that neither

⁴ Omission indicated in the original telegram.

the British nor the French Government has replied to the Greek request for assent to the pledging of this security. It is reported that the British financial house of Hambro, which, in cooperation with Speyer and Company of New York, undertook the flotation of the recent Greek refugee loan, has, presumably for the protection of investors in that loan, made representations to the British Government against compliance by that Government with the Greek request. The Greek Government itself, acting, Ulen and Company believe, at the instigation of the French or British Government, is reported to have requested the International Financial Commission to declare that the bonds to be issued under those contracts must, despite the stipulation in Article 19 (c) of the principal contract, rank, as a charge upon the revenues of the Commission not pledged at the time of the conclusion of the Ulen contracts, after the portion of the Ottoman Public Debt to be allocated to Greece and presumably to be charged upon the revenues of the Commission under Article 48 of the Treaty of Lausanne.⁵

Ulen and Company inform the Department that they are ready, if necessary, to execute formal assurances with respect to withholding their half of the bonds from the market for two or even three years and that they would use their influence with the Bank of Athens to secure similar action on the part of the Bank. Ulen and Company are not disposed at this time to consider the question of allowing priority to the Greek share of the Ottoman Public Debt as a charge on the revenues of the International Financial Commission remaining unpledged on the date of their contract.

(3) The Department desires you to approach the Foreign Office informally and, without requesting any action or the expedition of any action by the British Government, to ascertain what is the present status of the consideration of the question of complying with the Greek request and what may be the factors responsible for the apparent hesitation of the British Government to comply with that request.

(4) Repeat foregoing to Paris, Rome and Athens and telegraph cost of repetition to be charged Ulen.

(5) Mr. James F. Case, a representative of Ulen and Company, is in London and will call at the Embassy and furnish any explanations which you may desire to have before approaching the Foreign Office.

Telegraph reply.

GREW

⁵Treaty of July 24, 1923, between Turkey and the Allied Powers; League of Nations, *Treaty Series*, vol. xxviii, p. 11.

868.151/37 : Telegram

The Acting Secretary of State to the Ambassador in France (Herrick)

[Paraphrase]

WASHINGTON, June 6, 1925—1 p. m.

222. Department's telegram 176, June 6, 1 p. m., to Ambassador at London will be repeated to you by Embassy for your information. That telegram instructs the Ambassador to make informal inquiries at the British Foreign Office regarding the assent of the British Government to the pledging by Greece of security in connection with the proposed loans for construction by Ulen and Company of water-works for Athens and Piraeus.

Please make similar informal inquiries at the French Foreign Office.

Reply by telegraph.

GREW

868.151/49

The Ambassador in Great Britain (Houghton) to the Secretary of State

No. 173

LONDON, July 6, 1925.

[Received July 16.]

SIR: I have the honor to refer to the Department's Instruction No. 176 of June 6, 1 p. m., relating to a contract concluded by Messrs. Ulen and Company, of New York, with the Greek Government and in which the Embassy was instructed informally to approach the British Government with a view to expediting action on its part in giving assent to the pledging of certain revenues as security to the loan. In this connection, I take pleasure in stating that the matter was informally discussed with the appropriate British authorities and the Embassy was informed on Friday, July 3rd, that the consent of the British Government had been given to the Greek Minister that morning.

There is attached a copy of an Athens telegram appearing in the press to-day.*

I have [etc.]

For the Ambassador:

F. A. STERLING
Counselor of Embassy

* Not printed.

868.151/50 : Telegram

The Chargé in France (Whitehouse) to the Secretary of State

PARIS, July 20, 1925—11 a. m.

[Received July 20—9:14 a. m.]

389. Your 278, July 18, 2 p. m.⁷ The French Government last week officially but orally informed the Greek Chargé d'Affaires that it consented to the waterworks loan subject to the priority of the Greek share of the Ottoman public debt.

WHITEHOUSE

868.151/64

Memorandum by the Chief of the Division of Near Eastern Affairs (Dulles)

[Extracts]

[WASHINGTON,] September 29, 1925.

Mr. James Francis Case, of Ulen and Company, called and said that his only purpose in calling was to express his great appreciation for all that the Department's officials had been able to do for him in connection with his Company's negotiations with the Greek Government. He referred in the highest terms to the invaluable assistance which he had received from Mr. Laughlin and also stated that Mr. Atherton in London and that Mr. Whitehouse in Paris had been most helpful in securing the consent of the British and French Governments to the pledging of security by Greece for the Ulen Company loan.

.
 In describing the present status of the Company's business in Greece, he said that work on the new waterworks for Athens had already been commenced and that they had also signed a supplementary agreement for repairing the present waterworks system, which he hoped would result in doubling the water supply of Athens.

A. W. D[ULLES]

⁷ Not printed.

HAITI

POSTPONEMENT OF LEGISLATIVE ELECTIONS IN HAITI

838.00/2108

*President Borno to the High Commissioner in Haiti (Russell)*¹

[Translation]

PORT AU PRINCE, *February 11, 1925.*

MY DEAR GENERAL: I am sending you herewith the confidential memorandum about the legislative elections of which I spoke to you this morning.

Your perfect knowledge of the situation will, I hope, prove of decisive use to the Department of State.

Very cordially yours,

BORNO

[Enclosure—Translation ²]

President Borno to the High Commissioner in Haiti (Russell)

MEMORANDUM

Considering that the time eventually set by the Constitution for legislative elections is near at hand, the Haitian Government deems it imperative to communicate to the Government of the United States the considerations and opinion hereinbelow expressed, which in its opinion, would if applied insure also in the Republic of Haiti the order and stability needed for its general development and afford an effective guarantee of the continuance of the remarkable results already achieved for the progress and prosperity of the Republic through the frank and loyal cooperation of the two Governments.

The Haitian Government has no hesitancy in declaring that it is sincerely and absolutely convinced that if the legislative Chambers were called at this time the happy state of things that has just been referred to would be really threatened.

¹ Brought to the Department by the High Commissioner, who had been instructed on Jan. 21, 1925, "to proceed to Washington at such time during the next two months as may be convenient" for conference, and had left Port au Prince on Feb. 12, 1925.

² File translation revised.

Article D of the Haitian Constitution³ which substituted a mere Legislative Council for the Chambers by adjourning "sine die", so to speak, any consultation of the people concerning legislative elections, was certainly in the minds of the two Governments to answer a dual objective:

On the one hand, not to entrust assemblies born of elections with the law-making of the country until there was a certainty that the political passions having wholly subsided there was no reason to fear there would be in the Chambers elements of agitation and disturbance apt to offer systematic opposition to the achievement of political, administrative and economic ends concerning which a final agreement had been reached by the two Governments through the Convention of 1915.⁴

On the other hand, only to call upon the voters to exercise their franchise for legislative elections so granted by the Constitution conditionally, when the people would have been sufficiently educated to make it possible to assert that there was a body of voters with a sufficient knowledge of their duties and reasonably prepared for a full unlimited enjoyment of their political rights.

In the opinion of the Haitian Government based on judicious observation, it is proper to acknowledge that neither objective has yet, generally speaking, been wholly attained thus far. On account of the lack of means it has not yet been found possible to develop the education of the people so as to put the great majority of the citizens of cities, and particularly of the country, in possession of the intellectual means required for a conscientious and clear-sighted use or exercise of the franchise.

In this connection an idea may be formed from the city elections which the Constitution of 1918 maintains with the very object of forming an accurate estimate through repeated experiments every two years of the problem of the voting attitude in the country.

These elections have always taken place up to date with a number of voters decidedly below the least optimistic, statistical estimates showing through the anomalous number of voters the slight interest taken as a rule by the Haitian voter in the exercise of his franchise. The voting quorum always was found quite low, so much so that it would be hard to find therein a true expression of the will of the majority of the people whose votes were sought.

The legislative elections, if they were to take place in 1926, would coincide with the renewal of the Presidential term and would be imperilled thereby, a feature of extreme unrest caused by the probable excitement of the people. The opposition, whose only platform

³ *Foreign Relations*, 1918, p. 487.

⁴ *Foreign Relations*, 1915, p. 449; 39 Stat. (pt. 2), 1654.

it might be said is the overthrow of the state of things created by the Convention of 1915, would surely display the greatest activity and bring into play all its resources so as to win a majority in the legislative body and thus bring about the victory of its Presidential candidate. It would find quite an advantage in this undertaking in the indifference of the bulk of the voters hereinabove noted and might very well, thanks to this indifference, gain a privileged, if not prominent situation, in the national Chamber.

The Haitian Government believes that this prospect, resting on a plausible surmise, particularly if a policy of nonintervention in the elections were adopted, must arrest the earnest attention of the two Governments and unite them in the joint concern of warding off the grave consequences which might follow from its being possibly carried out.

Insofar as it is concerned, this Government maintains in this respect the opinion it invariably professed heretofore, namely, that the narrow bounds within which the Convention and the Constitution have hemmed the exercise of legislative power, particularly in their budget and financial clauses, will always make it difficult for political assemblies in position to claim a free electoral investiture and a full execution of the diplomatic instrument of 1915 to work harmoniously. This opinion is the result of the careful examination made into the deep changes introduced in the traditional relations between the executive and legislative powers by the Convention and the Constitutional provisions which are the unavoidable consequences thereof.

The last paragraph of article 55 and article 112 of the Constitution, together with certain provisions of the Convention, particularly those contained in article 9 of the last-named instrument, have as a matter of fact stripped the legislative Chambers of all autonomy in budget and fiscal matters. The initiative in lawmaking, which is granted them by the second paragraph of article 55, is noticeably lessened by the last paragraph under which the initiative as to laws concerning public expenditures is reserved for the executive power, the reason being that laws that do not call for any expenditure are exceedingly rare.

Legislative Chambers won to the spirit of opposition will not patiently put up with the passive attitude forced upon them by these restrictions and it is to be presumed that they will constantly be inclined to seek a compensation in an excessive use of the few prerogatives and powers left them going as far as resorting to obstruction should the case arise. The executive power, defenseless and powerless, would be placed in a situation so created with no other alternative than to abdicate or resort to unlawful means.

The first solution which without question would strengthen the despotic tendencies of the Chambers would sanction in advance, so to speak, anything they might undertake to do hereafter as they might see fit against the President's prerogatives under the cover of the unrest and agitation borne of the Government's unstable conditions.

It may furthermore be safely asserted that if resort were had to violence it would constitute an attempt on legality which would in any event, cause, in Haitian opinion, a disturbance that would be fatal to the real interests of the country.

Upon an impartial examination of the threats that a call of the legislative body at this time would offer to the condition of things created by the Convention, and the friendly cooperation of the two Governments, the Haitian Government is also led to give equal consideration to the advantages and resources that the quorum relative to the deliberations of the two Houses of that body, as provided in the Constitution, would not fail to bring to the opponents of the Presidential regime.

It appears from article 59 of the Constitution that a majority (one more than one-half) for the Chamber is 19 and 9 for the Senate in the very rare cases when the two Houses would sit with all the members present. Taking into account the unavoidable absences and consequently the corresponding lowering of the figure for the majority, it must be granted that there being in the two Houses minorities including from 14 to 17 members in the Chamber of Deputies and 5 to 7 in the Senate would be enough to place the executive power in the most embarrassing situation, stand in the way of all its recommendations and so paralyze the law-making operations.

The Haitian Government in brief believes that all the foregoing considerations are such as to discountenance the recourse to legislative elections because of the certainty of their being attended with disappointment. Taking the best possible aspect of things, in case of legislative actions, it seems to the Government that it would be very difficult even if there was a marked success to secure in the Parliament the majority needed for an effective action against active minorities animated with the spirit of intrigue and ambition.

In the face of all these considerations just set forth by it, the Haitian Government is of the firm opinion that upon sober consideration of the present situation of the Republic of Haiti, it is the part of wisdom and prudence for the two Governments firmly to adhere to the policy that has brought forth so many happy results and which the two Governments have thus far applied.

The Government means by this a condition of things signalized by the preponderant existence of a strong executive power animated by

the most benevolent disposition towards a frank and cordial cooperation which must subsist between the two Governments and which alone may meet the necessities daily created by the operation of the Convention and to insure the successful cooperation of that Convention in the achievement of its eminent ends.

By the side of that power, it is important to maintain the Legislative Council consisting of specialists, above the sterile call of politics, bound to the executive power in close cooperation, a council, which has unquestionably stood the test, and of which one may expect in adding up the remarkable results already achieved much more in the future for the happiness and prosperity of Haiti.

We must not forget, moreover, that an experiment of legislative elections under the Convention was made in 1917 and that it culminated through the hasty and biased attitude of the two Chambers into a violent dissolution which was acknowledged by both Governments to be necessary.

838.00/2076b

The Secretary of State to the High Commissioner in Haiti (Russell)

WASHINGTON, *March 11, 1925.*

SIR: The Department has carefully considered the confidential memorandum sent to you by the President of Haiti and referred by you to the Department, expressing the views of the President of Haiti regarding the advisability of holding legislative elections in that country in January, 1926.

You may inform President Borno that this Government will interpose no objection should the President of Haiti, acting within his own discretion, conclude that it would be inadvisable to issue a call for legislative elections to be held in January, 1926. It should be made clear that this Government does not wish to express an opinion at this time as to the advisability of holding or not holding the elections, and that it prefers that the President of Haiti should act upon his own responsibility in the matter.

While appreciating the difficulties involved in an attempt to hold popular elections in Haiti under existing conditions, the Department considers that the Government of the United States is obligated by its undertaking to lend an efficient aid for the maintenance of a government adequate for the protection of life, property and individual liberty to assist the Haitian Government in the development of a satisfactory electoral system, which is indispensable to the maintenance of a stable government in a country whose constitution is based upon republican principles. The Department desires, therefore, that a plan should be formulated for the reform of the existing electoral legisla-

tion in Haiti and that adequate legislation should be drafted to govern the communal elections which are now held, and to govern the national elections when it is considered advisable to hold such elections. The Department will be glad to have you prepare a plan for the establishment of a proper electoral system.

I am [etc.]

FRANK B. KELLOGG

838.00/2123a

The Secretary of State to the High Commissioner in Haiti (Russell)

No. 261

WASHINGTON, June 8, 1925.

SIR: The Department refers to its instruction of March 11, 1925, in which it was suggested that you undertake the elaboration of an electoral system suited to the requirements of Haiti. It is now desired that you exhaust every means to expedite the preparation of such drafts of legislation as may appear to be appropriate to the situation, to the end that they may be submitted for the Department's approval, and subsequently enacted into law by the Council of State, if possible, before the first of November next.

I am [etc.]

For the Secretary of State:

JOSEPH C. GREW

838.00Electoral Law/2: Telegram

The Acting Secretary of State to the Chargé in Haiti (Merrell)

WASHINGTON, July 8, 1925—7 p. m.

27. Department unable to give proper consideration to project of communal election law drafted by General Russell⁵ unless furnished texts of all election laws now in force and explanation of their deficiencies. Endeavor to supply this information as soon as possible. In the meantime you may in your discretion informally advise President Borno with whom the Department understands General Russell discussed his project that a considerable delay will probably intervene before the Department can express any opinion on the subject.

The Department may find that most practicable solution of the problem would be to send to Haiti an expert on electoral matters. What in your opinion would be probable reaction in Haiti to such a step?

GREW

⁵ Draft not printed; it was left at the Department by General Russell on June 27, 1925 (file No. 838.00 Electoral Law/3).

838.00Electoral Law/4 : Telegram

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

[Paraphrase]

PORT AU PRINCE, July 10, 1925—5 p.m.

[Received July 11—6:20 a.m.]

37. Department's No. 27, July 8, 7 p.m. Reaction in Haiti to sending expert on electoral matters would be unfavorable, in my opinion, with both Government and Opposition. Latter would resent the sending of another American expert and both factions would think any one not thoroughly familiar with Haitians and conditions here incompetent to undertake solution of problem. I believe that last March President Borno informed the High Commissioner that for these reasons he would oppose the sending of an expert.⁶

MERRELL

838.00Electoral Law/5

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

[Extract]

No. 803

PORT AU PRINCE, July 18, 1925.

[Received July 24.]

SIR: With reference to the Department's telegram No. 27 of July 8, 7 p.m. relative to the project of a Communal Election Law which was submitted by the American High Commissioner for the Department's consideration, I have the honor to transmit herewith a copy of a memorandum prepared by the Legal Adviser to the High Commissioner explaining the deficiencies of the Electoral Laws now in force in Haiti.

I have [etc.]

GEORGE R. MERRELL, JR.

[Enclosure]

Memorandum on Haitian Electoral Law Prepared by the Legal Adviser to the High Commissioner in Haiti (Strong)

[PORT AU PRINCE,] July 13, 1925.

1. Prior to the Constitution of 1918, the election law in force was that of August 24, 1872, which was reproduced in the *Moniteur*

⁶ Marginal notation: "I spoke with General Russell about this on Sept. 1. He agrees with Merrell. S[tokeley] M[organ]." Mr. Morgan was a Foreign Service officer attached to the Division of Latin American Affairs, Department of State.

numbered 47 of the year 1902. With the going into effect of the Constitution of 1918, it was found necessary to enact a new election law which, although it does not specifically revoke the law of 1872, nevertheless, completely takes its place. We have, therefore, no reason to refer to any law back of the law of August 4, 1919.⁷

2. The Constitution of 1918 differs little from its predecessor, that of 1889, in regard to elective officers, and the manner of their election to office. It prescribes, however, that the first elections for an elective legislature will be held on an even year, fixed by decree of the President. (Article C—Transitory Provisions). Until such decree is issued, there can be no elections other than those for communal officers. For this reason it seems advisable that a communal election law be enacted which would serve as a model for a general election law, covering the election of deputies and senators, upon the issuance of the decree of the President calling for the election of a constitutional legislature.

3. Another thing that the new Constitution did, was to omit all the qualifications of citizenship, included in the Constitution of 1889, making them a matter for legislation. (Article 3). Therefore, the first chapter of the law of 1919 is devoted to the qualification of citizenship. The new Constitution included two qualifications for the exercise of political rights, as follows: (a) that all the voters must be twenty-one years of age; (b) that all naturalized citizens must have not less than five years residence in Haiti before they can vote. (Article 6).

4. It may be remarked here that Article 4 of the law of 1919 is an interpretation of Article 6 of the new Constitution, insofar as it assumes to make the five year period run from the date of naturalization. It is, therefore, of questionable legality.

5. Article 5 of the law of 1919 requires all voters to register, and Article 6 prohibits a voter from registering on more than one list of voters. Chapter IV looks after this in greater particularity. Noteworthy points, however, are that there is no prohibition against appearing twice on the same list and no penalty for double registration. The registration is controlled by the communal officers in power at the time. In other words, the "outs" have little chance against the "ins". It is not necessary to go further to discover reasons why elections under the law of 1919 are an absurdity. Section 4 of Chapter IV details the manner of voting, which further indicates that the voter has no protection, either as to the secrecy of his ballot, or that it will be cast for the candidate for whom he desires to vote, it being remembered that there is more than ninety percent illiteracy among the voters of Haiti.

⁷ Published in *Le Moniteur*, Aug. 27, 1919.

6. The greatest difficulty in the way of holding fair elections in Haiti is perhaps due to the fact that there exist no political parties here. Local election boards must necessarily control the conduct of elections. In the absence of adequate representation on such boards by each of the opposing political factions, coupled with appropriate restrictions as to registration, voting, and the counting of the ballots, elections must continue to be what they have been in the past—ridiculous farces.

7. The main features which the new project provides, are the establishment of the necessity for political parties, proper representation on the local boards, distinctive ballots by which the ignorant voter may vote for the candidates of his choice, dual control of registration, and dual supervision over all the details of voting, and the establishment of a national board of a non-partisan and by-partisan character, etc.

Respectfully submitted,

RICHARD U. STRONG

838.00Electoral Law/5

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

No. 659

WASHINGTON, *September 16, 1925.*

SIR: Reference is made to the Department's telegram No. 22 [27] of July 8, 1925, and to your replies by cable and by despatch of July 10 and July 18, respectively, regarding the proposed reform of existing electoral laws in Haiti.

The Department has carefully considered the draft of a new communal electoral law submitted by the High Commissioner during his recent visit to Washington, as well as the observations and recommendations on the subject contained in Judge Strong's memorandum of July 13, 1925, which, together with copies of the law of August 4, 1919, accompanied your despatch. It has also noted the expression of your opinion that it would not be advisable to send to Haiti a person familiar with electoral legislation and procedure, for the purpose of making an investigation on the ground and elaborating a project or projects to meet the needs of the situation in that country.

The Department was unable to give its entire approval to the draft of the new electoral law submitted by the High Commissioner and, inasmuch as it is now too late for this law to be enacted and go into effect in time for it to be used in the communal elections next January, it is thought best that these elections be held under the existing law, that of August 4, 1919.

However, as this law contains certain serious defects, it would seem to be best that it should be modified and amended before the

next elections and the following alterations and additions are suggested as desirable:

1. A provision penalizing the multiple registration of voters on the same list.

2. Provisions setting forth the penalties applicable to violations of the law.

3. Modification of Article 36 to permit an illiterate voter to select a literate person of his own choosing to accompany him to the polls and to fill in his ballot. (In its present form this Article provides that the duties of amanuensis shall devolve upon members of the electoral boards.)

4. Increase in the number of registration boards. (Article 13 of the present law provides that registration of voters shall take place only in the "Hôtel Communal" of each commune.)

5. Modification of Article 45 to permit the presence at the polls of representatives of each candidate for office to witness the conduct of the voting; and to give to each candidate the right of appeal to the district verification boards from the decisions of the communal boards.

The foregoing list of suggested modifications should not be regarded as exclusive. Others will probably occur to you as desirable and you will of course incorporate them in such recommendations as you may feel called upon to make in response to this instruction.

It is thought that a new electoral law along the lines of that recently submitted by the High Commissioner, but with certain modifications and amendments, can be worked out and enacted in the course of the coming year, thus allowing plenty of time for the people of Haiti to become acquainted with its provisions and prepared to use it in the elections of 1928.

You are instructed to call the attention of President Borno to the advisability of amending the electoral law of August 4, 1919, in time for it to be used in amended form in the communal elections of January 1926, and discuss with him the changes suggested above. It is desired that you then report to the Department in detail the President's views as well as your own.

I am [etc.]

FRANK B. KELLOGG

838.00/2154 : Telegram

The Secretary of State to the High Commissioner in Haiti (Russell)

[Paraphrase]

WASHINGTON, October 1, 1925—2 p. m.

37. Endeavor with utmost discretion to ascertain whether President Borno intends to make public statement of reasons which prompt him to defer elections. Do you think that issuance of statement of that sort before October 10 would have beneficial effect

provided it contained reference to the projected revision of electoral laws with view to holding elections in 1928, by which date it is hoped that continued improvement of conditions in Haiti will have rendered further postponement unnecessary?

KELLOGG

838.00/2154 : Telegram

The High Commissioner in Haiti (Russell) to the Secretary of State

[Paraphrase]

PORT AU PRINCE, *October 6, 1925—1 p. m.*

[Received October 7—12:50 p. m.]

54. Department's No. 37, October 1, 2 p. m. President Borno had informed me he did not intend making public statement of his reasons for deferring the elections.

I think that the issuance of a statement before October 10 along lines indicated in Department's telegram No. 37 would have excellent effect. Accordingly, I suggested taking such action to President Borno and on morning of October 3 he informed me that he would publish statement along lines I had suggested, but no statement has appeared. If by October 8 no action has been taken, I shall again suggest advisability of issuing public statement. Any statement President Borno may make will be telegraphed to the Department.

RUSSELL

838.00/2159

The High Commissioner in Haiti (Russell) to the Secretary of State

No. 632

PORT AU PRINCE, *October 10, 1925.*

[Received October 17.]

SIR: I have the honor to enclose herewith, for the Department's information, a copy of the *Moniteur* of August [*October*] 8, 1925, containing a circular letter addressed by the President to the Prefects of Arrondissements, concerning the question of national elections.

I had suggested to President Borno that he express the hope that national elections might, with the continued improvement of conditions throughout the country, be held in 1928. It will be noted that his remarks are not quite as strong as the above.

I have [etc.]

JOHN H. RUSSELL

[Enclosure—Translation]

Circular Letter of President Borno to the Prefects of the Haitian Arrondissements

MR. PREFECT: The policy of the Government, as you know, is governed entirely by a sentiment of absolute sincerity. Having decided to spare no effort in organizing our democracy, firm and prosperous, in order and in liberty, the Government has for its first duty to consider the country as it is, to place itself resolutely before the reality of facts, and not to permit itself to be led astray by any empty declamations, by any lie.

What spectacle did we offer to the world when the intervention of the United States occurred, and what was the work of this intervention? Herewith is the official statement by President Dartiguenave in his proclamation of the 29th of August, 1916:

“The country was the prey to the most terrible anarchy. The cities and fields of the departments of the North, Northwest, Artibonite, and a large part of the West had been ravaged and stained with blood by an almost uninterrupted series of civil wars; anguish, desolation, and misery were everywhere. In less than four years, seven chiefs of state succeeded each other! The last, Vilbrun Guillaume, had just been violently torn from the French Legation, and sacrificed in the street by the blind and barbarous anger of a mob which had been exasperated by the unattainable slaughter at the prison of Port-au-Prince.

The American Intervention put an end to this scandal, and the same National Assembly which, under the pressure of a victorious force, had ratified three “coups d’Etat” by electing successively three revolutionary chiefs, this same National Assembly, acting for the first time in its full and complete freedom, called to the first magistracy, Senator Dartiguenave. It was necessary henceforth, to secure in the ruined and blood-stained Republic, order and peace, security, a stable government, every condition in a word indispensable to work, to normal living, indispensable to the well being and the prosperity of the citizens. And the proof was given, definitely given, of the complete impotence of the leading nationals, too divided among themselves, to procure for this country these basic conditions.

The convention was then signed consecrating to the profit of the Republic of Haiti the powerful aid of the American Government.

That was certainly a sacrifice to national self-respect. But, between this sacrifice and the life of shame, misery, and ignominy from which it had rescued us, no citizen, having a true sense of national honor, could hesitate.

And since then what have we seen? Peace, inestimable benefit, has been reestablished. The laboring people have been able to devote themselves to their work; thanks to the order maintained everywhere, they have been able to realize from our agricultural potentialities the greatest advantages. The work of rehabilitation and sanitation, undertaken by degrees everywhere, has facilitated communications, bene-

fited public health, and procured at the same time means of sustenance for thousands of our citizens; for the first time in years, families have known the joys of security and exercised the prerogatives of true social liberty.”

And I add to-day:

More than twelve hundred kilometers of roads have been constructed; new roads are still being opened; numerous bridges have been thrown across the water courses; important irrigation works have been undertaken; a technical service has been instituted to give us at last an organized agricultural system, demanded for over a hundred years; city and rural schools have already been built and a progressive program of school work is in operation; new laws have put into the hands of the authorities means of protecting the peasants against the despoiling methods of a certain class of rotten and heartless lawyers; the fine results of the public health service, in the towns and in the country, have procured, and are procuring each day, invaluable aid to citizens in every walk of life; the national magistracy, so long neglected, has, at last, initiated in its favor, better conditions which will develop in proportion; and the financial credit of the country is so high in foreign markets that it could be said “that it is virtually on the same plane as such conservative states as Holland, Sweden, and Switzerland.”

And, nevertheless, if the general situation offers so much satisfaction, how can it be denied that the work accomplished until now is but a beginning, when one considers all that still is left to be done to assure the continued development of agriculture, commerce, public education, health, seriously to guarantee public peace, public and private property, the home, and the security of all, against any possible return to our bad past, our past of bloody and destructive revolutions, scandalous pillage, and by the persecution of exploitations of the peasants by military satrapes, masters of life and property.

And before this immense task which solicits, urges, and demands an active coalition of all good wills, what do we see today? Groups of politicians at bay, scattered through different parts of the country, who pretend to oppose the civilizing progress of the government by exerting themselves to create and to develop an agitation purely political under the lying pretext of “restoring democratic institutions”, that is to say, to be exact, to replace the present legislative Council of State by a Chamber and a Senate!

You are not ignorant of the fact, Mr. Prefect, that it is the firm design of the present government to realize fully the constitutional provision for the election of the two Legislative Chambers. But at what moment ought this election be brought about, which the constitution itself, in an evident view to prudence and wisdom, has made

dependent upon a special convocation by the President of the Republic? That is the whole question between the Government and its adversaries. These latter say: "Immediately", that is to say, "on January 10, next." But the Government, which has no thought of deceiving itself or of deceiving anyone else, replies: No, the Haitien people are not ready. Democracy is the government of the people by conscious, popular suffrage, practiced with the greatest possible liberty. We have that liberty. Never in any period of our country, for more than a century, has there been in Haiti as much liberty as at the present moment. The liberty of circulation is absolute; without any passport, one crosses the country in every sense. The freedom of holding meetings is subject only to a previous notification to the local police. The freedom of the press which is, when summed up, the expression of all the others, is absolute; the law which governs it is made only to suppress abuses, defamation, outrage, provocation to crime, all those intolerable excesses by which the old revolutionary demon, impatient to break his chains, manifests himself from time to time.

We have liberty. But where then is our popular conscious suffrage?

Our rural population, which represents nine-tenths of the Haitien people, is almost totally illiterate, ignorant and poor; although its material and moral situation has been appreciably bettered in these last few years, it is still incapable of exercising the right of vote, and would be the easy prey of those bold speculators whose conscience hesitates at no lie.

As for the town population, one-tenth of the total population, those of its members who are capable of expressing an intelligent vote,—a little progressive minority formed of peaceful men, business men, artisans, citizens of different professions, belonging to different social classes,—have for a long time, for the most part, renounced their electoral right, disgusted by the immoral maneuvers and the insolent frauds which render, and would still render illusory their efforts as intelligent electors. The remainder is the small group of professional politicians, with their followers of every sort, who are mainly illiterate.

That is the present electoral body! It is characterized by an absolute lack of organization as to the little number of its useful elements, and, for the rest, by a flagrant inability to assume, in the decisive period through which we are passing, the heavy responsibilities of a political action.

Popular suffrage has not its *raison d'être*, if it can only serve to elect individuals and nothing else. True democratic suffrage should serve, primarily, to elect in individuals definite principles, programs of action, and methods of government.

All this amounts to saying, that the rational and necessary foundation of democratic suffrage is, in a conscious electoral body, the organization of parties with platforms.

Our national history has only presented up to now two real parties, the National party which extols the principle of a strong executive authority, and the Liberal party, enthused by parliamentarism. Both have disappeared from the political scene through lack of interior discipline and of support by a real public opinion.

The Government is working to prepare the way to the intelligent and disciplined democracy, to the solid organization thereof. The present electoral law is recognized by all as incompatible with the sincere expression of popular will. A new law, now in the course of preparation, will be presented at the next Ordinary Session; it will offer all the possibilities for the full functioning of political parties, and for the constitution of an intelligent electoral body, capable of exercising, without danger to the Republic, the sovereign attributes of universal suffrage.

And when the hour shall have struck, an hour which will be hastened, let us hope, by the wisdom of our citizens, the President of the Republic will be proud to put into operation the solemn prerogative which the constitution has consigned to his patriotism, his judgement, and his conscience, to fix the date of the legislative elections.

Until that time, I advise you, Mr. Prefect, the Council of State will continue to follow the formal provision which, in this same constitution, has delegated to it the functions of the legislative power.

And you will take care that the approaching elections of January 10, 1926, shall be exclusively communal.

BORNO

SUPPORT BY THE UNITED STATES OF HAITIAN REFUSAL TO ARBITRATE WITH FRANCE THE QUESTION OF PAYING INTEREST IN GOLD ON GOLD LOAN OF 1910⁸

838.51/1776

The French Embassy to the Department of State

[Translation⁹]

NOTE VERBALE

In January, 1923, the Minister of Finance at Port-au-Prince requested the Haitian Government to meet the service of its 5 percent

⁸ For previous correspondence regarding request of the Union Parisienne for arbitration of the question of gold payments on this loan, see *Foreign Relations*, 1924, vol. II, pp. 293 ff.

⁹ File translation revised.

loan of 1910 in gold. The matter was brought to the attention of the Federal Government in a note from Mr. Jusserand of April 10, 1923.¹⁰

As the question was not settled, the Banque de l'Union Parisienne, one of the banks that issued the loan, applied directly, in November 1923, to the Minister of Finance of the Republic of Haiti and pleading the right derived from Article 30 of the loan contract,¹¹ asked that the dispute be referred to arbitration. This article reads as follows: "The protests that may arise as to the execution of this contract shall be referred to two arbitrators in Paris. . . ." The representatives of France at Washington and at Port-au-Prince were instructed to support this request at the seats of the Haitian and United States Governments. The question formed in particular the subject of two notes from the Embassy dated June 12 and September 5, 1924.¹²

The Haitian Government offered several arguments in reply to that request, which may be summed up as follows:

(1) The bondholders who are not parties to the loan contract cannot claim the benefit of Article 30 of that contract;

(2) The Union Parisienne being one of the three banks parties to the contract, is not competent to act alone without the other two banks concurring;

(3) It is impossible to admit that the Union Parisienne be competent to prefer any claim whatsoever against the Haitian Government in the name of the holders as the 1910 contract does not in any way confer such a right upon it;

In its capacity as agent of the Haitian Government the Union Parisienne is under the obligation to act for the interest of the Haitian Republic and not for that of the holders.

These arguments have already been met point by point by the French Government in the following manner:

(1) The objection drawn from the fact that the holders are not parties to the contract of issue and have no claim to the provisions of that contract, is untenable, since those holders are no longer concerned, the claim being preferred by a bank which is a party to the contract;

(2) There is nowhere in the contract of issue any mention of the fact that a claim, in order to be entertained, must be presented by all three banks acting in accord. In the absence of such article each one of the contracting parties is at full liberty to act;

(3) It is not necessary to know in whose behalf the Union Parisienne is acting when it lays its claim before the Haitian Government. The Union Parisienne acts in its capacity as issuing bank, party to the contract. In so doing, it serves its own interests; the commission provided in its favor by the contract necessarily increases when it is admitted that the service of the loan must be effected in gold. That the holders of bonds will profit by the intervention of the Union Parisienne

¹⁰ Not printed.

¹¹ Text of loan contract printed in *Le Moniteur*, Oct. 26, 1910.

¹² *Foreign Relations*, 1924, vol. II, pp. 294 and 296.

is a question of fact, not of law. On the other hand, no article in the contract warrants the claim of the Haitian Government that the Union Parisienne is to be considered as its agent. That bank undertook certain obligations which are well defined (to take up 130,000 bonds for delivery), in return for which certain advantages, also well defined, were assured to it (one quarter of one percent commission); but it did not assume any general obligation to the Haitian Government, as also it receives no compensation beyond the commission provided for the service of the loan. What, moreover, would article 30 of the contract signify if it could be invoked only by the Haitian Government?

No answer has yet been received to that statement of the French Government either from the Haitian Government or that of the United States. The right of the Union Parisienne to claim the benefit of article 30 is obvious and it is not easily understood why its request has not yet been met. The question for the present is not whether the claim of the Union Parisienne to have the service of the 1910 loan in gold, is or is not well founded. It is merely a question of procedure duly provided by the contract and which the Haitian Government may not decline without ignoring its own signature.

The Ambassador of France is satisfied that the Department of State, acknowledging that the objections raised by the Haitian Government to the request of the Union Parisienne are untenable, will bring to bear upon it the necessary amount of pressure to cause satisfaction to be given to a claim that is in every respect well founded.

[WASHINGTON,] *March 31, 1925.*

838.51/1776

The Secretary of State to the French Ambassador (Daeschner)

WASHINGTON, *May 7, 1925.*

EXCELLENCY: I have the honor to refer to your Embassy's notes of September 5, 1924,¹³ and March 31, 1925,¹⁴ in relation to the desire of your Government that the Government of the United States should endeavor to induce the Haitian Government to reconsider its refusal to accept the proposition of the bank of the Union Parisienne to arbitrate the question whether the bonds issued by virtue of the loan contract of September 9, 1910 between the Government of Haiti and the representatives of four banking institutions are payable in gold.

In your Embassy's note of March 31, 1925, it is stated "there is no necessity of finding in whose behalf the Union Parisienne is acting

¹³ *Foreign Relations, 1924*, vol. II, p. 296.

¹⁴ *Supra.*

when it lays its claim before the Haitian Government. The Union Parisienne acts in its capacity as issuing bank, party to the contract. In so doing, it serves its own interests; the commission provided in its favor by the contract necessarily increases when it is admitted that the service of the loan must be effected in gold".

The loan contract in question provides that the bank of the Union Parisienne shall act as the fiscal agent of the Haitian Government for the service of the loan and shall receive a commission upon the amounts expended by the Haitian Government in such service. Therefore it is entirely correct, as stated in your Embassy's note last mentioned, to say that the material interests of the bank would be subserved by the great increase in the amount which the Haitian Government would be obliged to pay should it be determined that the loan is payable in gold. However, it seems to be an unusual procedure and entirely outside the generally accepted view of an agent's rights and duties for an agent to seek to compel his principal to increase his expenditures in order that the agent's commission may correspondingly increase and the Government of the United States is unable to believe that a question of this nature was contemplated in the minds of the contracting parties when they entered into the agreement for arbitration provided in Article 30 of the loan contract with respect to matters arising regarding the performance or execution of the contract. This article provides as follows:

"The controversies which may arise regarding the execution of the present contract shall be submitted at Paris to two arbitrators, namely, one by the Haitian Government, the other by the Bankers, and who must render their decision within two months. Should they not agree, the said arbitrators shall name a third to cast a deciding vote. If they cannot agree upon the appointment of the third arbitrator, this third arbitrator shall be appointed at the request of the arbitrators, or at the request of the most diligent party¹⁵ by the Court of Arbitration at The Hague."

It therefore appears that Article 30 of the loan contract contemplates the submission to arbitration of controversies only regarding the execution of the contract. With respect to this provision as bearing upon the present request of the bank of the Union Parisienne, it may be said that it would seem that this bank, which, as stated, is the fiscal agent of the Haitian Government under the contract, should regard the contract as executed so far as concerns the question of the repayment of the loan when the Haitian Government delivers to it an amount in French francs sufficient to pay the bonds at their face value in such francs, in addition to the commission to which the bank is entitled on such payment. Moreover, it seems clear to me

¹⁵ i. e., the party most nearly ready.

that in making such request the bank is in reality acting as the agent of the bondholders who are not parties to the loan contract and therefore have no standing thereunder to request arbitration of the question under consideration. In this view of the matter it appears to me that the bank is going entirely outside of its province under the loan contract and is presenting a request which the Haitian Government is fully within its rights in rejecting as without any warrant.

In view of the foregoing it would not appear essential to enter into further discussion of the matter but there are additional reasons which may be adduced to support the action of the Haitian Government in refusing the request of the bank.

As above stated the loan contract was made between the Government of Haiti and four bankers who appear to have been treated as a unit throughout various provisions of the contract. Thus in Article XXIV of the contract the bankers undertake to accept the bonds of the loan of 1910 and to pay the Haitian Government therefor forty-seven million francs and in Article XXVI of the contract the bankers reserve the right to issue the loan by public subscription or otherwise. In Article XXIX the bankers are given a preferential right to future loans for a period of twelve years. In all these articles the bankers appear to be treated as a unit, as do they also in Article XXX which relates to the question of arbitration.

In view of the last mentioned provisions of the loan contract it would seem to have been the intention of the parties that all of the bankers must act in order to make an effective request for arbitration and not merely one of them as in the case as presented by you. Should the Government of Haiti grant the request of the bank of the Union Parisienne and enter into an arbitration with it on the question presented, it might well be argued that any award rendered would be void since all persons interested in the subject matter of the controversy had not joined in the submission to arbitration.

The loan contract in question is presumed to have come into effect so far as the Government of Haiti is concerned by the law of ratification which was passed by the Haitian legislature and which incorporates the loan contract. In this connection it may be observed that Article 69 of the Haitian Constitution of 1889 which was in force in 1910 when the loan contract was made and the law of ratification passed provides as follows:

“The legislative power enacts laws on all subjects of public interest.

“The initiative of legislation belongs to each Chamber and to the Executive power.

“Nevertheless, the appropriation laws and laws concerning the assessment, distribution, and manner of payment of taxes, creation

of revenue or increase of the expenses of the Government shall be first voted by the Chamber of Representatives.”

In view of these Constitutional provisions, it seems to follow that the loan contract is a part of the law of ratification and that otherwise the contract would be invalid because it affects a subject of public interest, increases the expenses of the Government and therefore its provisions could only become binding upon the Haitian Government if enacted into law by legislation originating in the House of Representatives.

Furthermore, Article 70 of the Haitian Constitution of 1899 [1889] provides that “the authoritative interpretation of the laws belongs to the Legislative power alone. That interpretation shall be given in the shape of a law” and Article 35 of the Constitution provides “that the three powers, the legislative, the executive and the judicial are independent from each other in the exercise of their own functions, which they perform separately. Neither of them can delegate its faculties, nor go beyond the limits ascribed to it.”

Reading together the provisions of Articles 35 and 70 of the Constitution, it would appear that the provisions of such articles would prohibit the delegation to arbitrators of the construction of the law of ratification which incorporates the loan contract in question, and would have constituted an insurmountable obstacle to any attempt of the Haitian Government to bind itself in 1910 to submit to arbitration the interpretation of any of its laws. In this view of the matter it would seem that the arbitration clause of the loan contract so far as it relates to the interpretation of the contract and not merely to matters of detail in the execution thereof was void as beyond the powers of the representatives of the Haitian Government who entered into the contract.

Finally I beg to invite your attention to the fact that in a note of November 4, 1918¹⁶ your Embassy forwarded to the Department a communication addressed to it by the Bank of the Union Parisienne and requested that, the facts therein set forth having been brought to the knowledge of the Government of the United States, this Government would endeavor to bring about appropriate measures leading to a solution acceptable to the French bondholders of the loan of 1910. In the communication from the bank transmitted by the Embassy occurs the following language:

“According to a note delivered by the National Bank of the Republic of Haiti a copy of which will be found herewith, enclosure 3, the proceeds of the customs duties set apart for the 5 percent gold loan of 1910 of the Republic of Haiti since September 1915 aggregates up to March 1918 \$2,058,251., of which there was applied to the service

¹⁶ Not printed.

of the loan in March 1916 not more than \$164,000 so that there would remain a difference for settlement of \$1,894,251.

"At the present rate of exchange this sum would represent in francs an amount sufficient to pay all of the outstanding coupons."

It seems difficult to escape the conclusion that in transmitting to the Department the note last mentioned with the enclosed letter from the bank, which was done as stated in the note by the direction of your Government, the French Government and the bank must be considered as having acknowledged thereby that the 1910 loan of the Republic of Haiti was payable at the current rate of the franc and not in gold and I am therefore constrained to point out that the present position of your Government and of the bank in asking for arbitration on the point of the currency in which the loan is payable is inconsistent with the position as taken in the note of November 4, 1918. I may add that, relying upon that position, which seemed to it, as it does to the Government of the United States, to be entirely sound, the Haitian Government proceeded with its refunding arrangements accordingly, and that any action which would result in establishing that the Haitian Government was in error on this point would have a disastrous effect upon the financial and economic condition of the Republic of Haiti and would operate to counteract in great measure, the advance it has made in material prosperity in the past few years. To such a result, I am sure, your Government is far from wishing to contribute.

I am sure that you will understand that entertaining the views which are above expressed, I am unable to accede to your request for the exercise of efforts to induce the Haitian Government to accept the proposition for arbitration put forward by the Bank of the Union Parisienne.

Accept [etc.]

FRANK B. KELLOGG

838.51/1776

The Secretary of State to the High Commissioner in Haiti (Russell)

No. 254

WASHINGTON, May 7, 1925.

SIR: Referring to your despatch No. 459 of November 21, 1924,¹⁷ in relation to the request for arbitration on the question of whether the Haitian Loan of 1910 is payable in gold, the Department informs you that it has been asked by the French Embassy on behalf of the Banque de l'Union Parisienne to use its good offices in an effort to induce the Haitian Government to consent to such arbitration.

¹⁷ Not printed.

After carefully considering the matter, the Department has definitely declined to grant this request of the French Government and has sent to the French Embassy a note embodying such refusal, a copy of which is enclosed for your information.¹⁸

I am [etc.]

For the Secretary of State:

LELAND HARRISON

¹⁸ Printed *supra*.

HONDURAS

INAUGURATION OF THE NEW CONSTITUTIONAL GOVERNMENT IN HONDURAS AND THE RESUMPTION OF FORMAL RELATIONS WITH THE UNITED STATES¹

815.00/3527 : Telegram

The Chargé in Honduras (Dennis) to the Secretary of State

TEGUCIGALPA, January 21, 1925—8 a. m.

[Received 2:46 p. m.]

11. The National Assembly yesterday by legislative decree declared elected President of Honduras Baraona² with 72,021 votes and Vice President Quesada³ with 72,011 votes. 78,491 votes cast in all.

Inasmuch as rumors are being circulated to the effect that the United States Government will not recognize the new government, or will do so only under onerous and humiliating conditions, I consider it desirable that the Legation be instructed at once to make to the Provisional Government with a view to publication an appropriate statement. The publication of such a statement would do much to avert troublesome Red⁴ activities.

DENNIS

815.00/3527 : Telegram

The Secretary of State to the Chargé in Honduras (Dennis)

WASHINGTON, January 22, 1925—11 a. m.

9. Your No. 11, January 21, 8 a. m. You may make public the following statement:

“The Government of the United States is gratified that it has been possible to reach a solution of the problem of establishing in Honduras a constitutional government with which the Government of the United States and those of the other Central American republics can maintain cordial relations without inconsistency with the provisions of the General Treaty of Peace and Amity signed at the Washington conference of 1923.⁵ The Government of the United States contem-

¹ For previous correspondence concerning political affairs in Honduras, see *Foreign Relations*, 1924, vol. II, pp. 300 ff.

² Miguel Paz Baraona.

³ Presentacion Quesada.

⁴ Liberal Party.

⁵ See *Conference on Central American Affairs, Washington, December 4, 1922-February 7, 1923* (Washington, Government Printing Office, 1923), p. 287.

plates with pleasure the resumption of formal relations with the Government of Honduras upon the inauguration on February 1st of the new constitutional authorities.”

HUGHES

815.00/3535 : Telegram

The Chargé in Honduras (Dennis) to the Secretary of State

TEGUCIGALPA, *January 24, 1925—8 p. m.*

[Received January 25—12:36 a. m.]

13. Please instruct with regard to my participation in the inaugural ceremonies February 1st and as to form of extending recognition to the new constitutional government.

DENNIS

815.00/3535 : Telegram

The Secretary of State to the Chargé in Honduras (Dennis)

WASHINGTON, *January 26, 1925—6 p. m.*

11. Your January 24, 8 p. m. You may participate in the inaugural ceremonies on February 1 in such manner as is customary in Honduras when a new constitutional government is to be inaugurated, and you may thereafter make the customary official calls on the officials of the new government. If you deem it advisable you may also address a note to the new Minister of Foreign Affairs expressing this Government's gratification that it has now been possible to resume formal diplomatic relations with the Government of Honduras.

HUGHES

**ASSISTANCE BY THE UNITED STATES TO THE GOVERNMENT OF
HONDURAS IN MAINTAINING POLITICAL STABILITY⁶**

815.24/12 : Telegram

The Secretary of State to the Chargé in Honduras (Dennis)

[Paraphrase]

WASHINGTON, *January 10, 1925—4 p. m.*

4. Legation's January 7, 2 p. m.⁷ Department has been considering Provisional President Tosta's request and will endeavor to ascertain whether War Department has available the supplies which

⁶For previous correspondence concerning political affairs in Honduras, see *Foreign Relations, 1924*, vol. II, pp 300 ff.

⁷Not printed.

he desires. You may so inform him. In the meantime, in order that the matter may be adequately considered, you should discuss fully with him and with President-elect Paz Baraona, if practicable, the plans for organizing the new military force. The Department would be pleased to ascertain whether Honduras contemplates that this military force shall be organized in accordance with article 2 of the Convention for the Limitation of Armaments,^s and whether Honduras considers the employment of foreigners as instructors in organizing this force. This convention has now been approved by all the Central American states except Honduras.

Do you think Honduras needs so many machine guns and rifles? Could not order be maintained with a smaller number?

HUGHES

815.24/14 : Telegram

The Chargé in Honduras (Dennis) to the Secretary of State

TEGUCIGALPA, January 13, 1925—noon.

[Received 6:04 p. m.]

6. Department's telegram January 10, 4 p. m. I have made communication as directed to the Provisional President. The President-elect is not expected at Tegucigalpa before the 20th.

The Provisional President informed me today that the army contemplated will not exceed 2,000; that 3,000 rifles are desired in order to provide a reserve; that the plans for organization are ready and will be furnished the Legation in the near future; that they comprise a military school for the training of officers who will be assigned districts; that the governing idea is maintenance of order in the interior and protection of long frontiers from bandit raids of recent occurrence; the Honduran Government is disposed to follow article 2 in the matter and that he hopes the treaties will soon be ratified by the Honduran Congress; the question of foreign instructors has not been given consideration and that he could not express any opinion thereupon before consulting with the Cabinet.

[Paraphrase.] My opinion is that 10 machine guns and 2,000 rifles are sufficient for the internal police and protection. However, the amounts requested seem [inadequate] if organized revolutionary incursions by *emigrados* at present in Guatemala and Nicaragua are to be considered as an imminent danger. But this Legation is not in a position to discuss this possibility advisedly. My impression is that the authorities of Honduras are not unduly anxious over an immediate revolution but they believe in adequate preparedness against such an event.

^s See *Conference on Central American Affairs*, p. 339.

As soon as the Legation receives further information, it will transmit it to the Department. [End paraphrase.]

DENNIS

815.24/15 : Telegram

The Secretary of State to the Chargé in Honduras (Dennis)

WASHINGTON, January 17, 1925—4 p. m.

6. Your January 16, 4 p. m.⁹ As acquisition of arms from United States Government would involve certain inevitable delays the Provisional Government may prefer, if the situation is so acute, to buy arms from commercial concerns in this country. The Department will promptly approve licenses for exportation of reasonable quantity of arms consigned to provisional authorities upon receipt of application from exporting firm.

HUGHES

815.24/16 : Telegram

The Chargé in Honduras (Dennis) to the Secretary of State

TEGUCIGALPA, January 21, 1925—9 a. m.

[Received 2:52 p. m.]

12. Department's telegram 6, January 17, 4 p. m. has been communicated to the Provisional President who has decided that for considerations of economy he prefers to purchase the bulk of the arms from the Government of the United States rather than from private companies. He intimated that delivery can be obtained from the United States Government within a month.

The Provisional President has received telegram from Monico Zelaya, acting consul, New York City, stating that the customhouse authorities there were ignorant of lifting of the embargo. I advised the Provisional President to inform his agents in the United States of the Department's telegram above mentioned.

DENNIS

815.24/16 : Telegram

The Secretary of State to the Chargé in Honduras (Dennis)

WASHINGTON, January 23, 1925—4 p. m.

10. Your No. 12, January 21, 9 a. m. Department has taken up question with the War Department and will inform you of result.

Regarding second paragraph of your telegram, you will realize that the embargo has not been lifted but that the Department has ex-

⁹ Not printed.

pressed its willingness to issue licenses for the exportation of reasonable quantities of arms as exception to the embargo.¹⁰

HUGHES

815.24/14 : Telegram

The Secretary of State to the Chargé in Honduras (Dennis)

[Paraphrase]

WASHINGTON, *February 6, 1925—5 p. m.*

18. Refer to Legation's January 13, noon. The Department informed Bográn¹¹ that it would be disposed to sell to the Honduran Government the arms requested when it received a letter from him stating that the Honduran Government is planning to organize a constabulary and will consider appointing foreign instructors. Bográn is telegraphing for authority to make such a statement and for authority to sign a contract with the War Department. He has requested the Honduran Government to show you his authorization to sign a contract. You are instructed to forward a certified copy of the same to the Department. When you have seen it, telegraph that fact to the Department and state whether you think it a sufficient authorization for signing a contract with the Department. If the Honduran Government desires to pledge the consular revenues in New York in payment of the arms will congressional approval be necessary?

HUGHES

815.24/26 : Telegram

The Minister in Honduras (Morales) to the Secretary of State

[Paraphrase]

TEGUCIGALPA, *February 14, 1925—11 a. m.*

[Received 7 : 54 p. m.]

25. Your February 6, 5 p. m. President Baraona showed me signed letter. It authorizes Luis Bográn: (1) to state that the Government of Honduras undertakes to organize constabulary and to employ American instructors and (2) to contract for the purchase of arms. I am forwarding a copy of this letter by pouch.¹²

Several legal experts, including government officials, whom I consulted, agree that President Baraona's authorization to Luis Bográn to contract is sufficient to bind Government of Honduras respecting the

¹⁰ See proclamation No. 1697, May 15, 1924, *Foreign Relations*, 1924, vol. II, p. 324.

¹¹ Luis Bográn. On Mar. 9, 1925, Bográn became Honduran Minister to the United States.

¹² Letter to Bográn not printed; it is dated February 13.

consular revenues without the approval of the Honduran Congress. This opinion has been confirmed by President Baraona.

MORALES

815.24/30

The Secretary of War (Weeks) to the Secretary of State

WASHINGTON, *March 11, 1925.*

MY DEAR MR. SECRETARY: I have your letter of February 26, 1925 (LA 815.24/26),¹³ relating to the purchase by the Provisional Government of Honduras of 10 Lewis machine guns, 250,000 rounds of ammunition for such guns, and 3,000 Russian rifles equipped with bayonets and cleaning rods.

Appropriate steps have been taken to complete the sale to the Government of Honduras, as suggested by the State Department, and instructions have accordingly been issued to prepare for delivery and shipment the following Ordnance property:

10—Lewis Machine Guns, Cal. .30, M-1917	at	\$282.67 each
250,000—Cartridges, ball, Cal. .30, M-1906	at	\$18.00 per M.
3,000—Russian Rifles, Cal. 7.62 m/m, with bayonets and cleaning rods	at	\$3.60 each

To the above prices, which are f. o. b. point of storage, should be added 5% to cover overhead, packing and handling charges. The total sales price of this property is \$19,033.00.

A contract will be prepared for execution by the Minister of Honduras, Senor Don Louis Bogran, on behalf of his Government. This contract will provide for delivery to Honduran representatives as follows:

- (a) Machine Guns at the Raritan Ordnance Reserve Depot, Metuchen, New Jersey.
- (b) Ammunition at the Schenectady General Reserve Depot, Schenectady, New York.
- (c) Russian rifles at Benicia Ordnance Intermediate Depot, Benicia, California.

This contract will provide for payment at 3 months, 6 months and 9 months, in accordance with the terms suggested in the State Department letter of the 25th ultimo, as follows:

\$10,000.00 on June 15, 1925;
\$5,000.00 on September 15, 1925;
\$4,033.00 on December 15, 1925.

It is suggested that information be obtained from the Honduran Legation as to the date when the representatives of Honduras will

¹³ Not printed.

take delivery of this property. It is further suggested that the payment orders on the Consul General of Honduras at New York, to be delivered as outlined in the State Department's letter, be delivered upon execution of the sales contract or at the time when notice is given that the Government of Honduras is ready to take delivery.

Sincerely yours,

JOHN W. WEEKS

815.00/3555 : Telegram

The Secretary of State to the Chargé in Honduras (Dennis)

WASHINGTON, March 18, 1925—5 p. m.

30. The Department is disturbed by reports of imminent labor troubles accompanied by disorder and of possible revolutionary difficulties on the north coast. See especially Consul Waller's confidential despatch No. 45 of March 8.¹⁴

The Department desires that you should discuss with the President the situation on the north coast and inquire informally what steps are being taken to deal therewith. Department hopes that the arms which are now being purchased in this country will enable the Government to maintain order effectively but it desires that you should impress upon the Government the desirability of handling the shipment in such a way that there will be no danger that the arms may fall into the hands of disaffected elements or potential disturbers of the peace. Please report by telegraph.

KELLOGG

815.00/3558 : Telegram

The Chargé in Honduras (Dennis) to the Secretary of State

TEGUCIGALPA, March 19, 1925—10 a. m.

[Received 6 : 23 p. m.]

39. Referring to the Department's telegram of March 18, 5 p. m. Strikes over. Relative order on the north coast for past two weeks . . .

The Legation is in close liaison with well-informed representatives in Tegucigalpa of companies, also with consuls, and it took the action directed [by?] the Department promptly on first reports of trouble, see my despatches 722 and 731.¹⁵ As a result of this action the President sent General Martinez Funes to the coast with suitable instructions which appear to have been carried out. He is still there and the representatives of American interests have expressed satisfaction with results so far.

¹⁴ Not printed; George P. Waller was the American consul at Ceiba.

¹⁵ Neither printed.

The President is anxiously awaiting the arrival of the arms concerning whose reception General Funes has adequate instructions.

DENNIS

815.00/3565 : Telegram

The Chargé in Honduras (Dennis) to the Secretary of State

TEGUCIGALPA, April 7, 1925—9 a. m.

[Received 2:45 p. m.]

47. The President is alarmed by reports of movements of small armed bands in the departments along the frontier of Guatemala. These reports from military commandants have been received almost daily for the past month. Personnel and other details are unobtainable because of the nature of the operations.

Money and arms are indispensable for the repression of these disorders.

The President asks to be advised of the probable date of the arrival of the arms being furnished by the United States.

Repeated to Salvador and Guatemala.

DENNIS

815.24/40 : Telegram

The Secretary of State to the Chargé in Honduras (Dennis)

WASHINGTON, April 8, 1925—5 p. m.

39. Your 47, April 7, 9 a. m. Orders for delivery of arms from arsenals to Honduran consuls at New York and San Francisco were handed to Bogran March 21st. He or the consuls can give the Government exact information about dates of shipments.¹⁶

KELLOGG

815.00/3567 : Telegram

The Acting Secretary of State to the Chargé in Guatemala (Ellis)

WASHINGTON, April 11, 1925—4 p. m.

27. Several raids have occurred recently along both the Guatemalan and Nicaraguan frontiers of Honduras. While the object of these raids may be in part political the Department does not feel that any political intent should excuse murders and robberies committed by the raiders. It therefore sympathizes with the reported intention of the Government of Honduras to ask for the extradition of perpetrators of common law crimes in the course of raids having

¹⁶ The United States Government also licensed shipments from private manufacturers.

no apparent political character and not constituting revolutionary movements, and it hopes that the Governments of Guatemala and Nicaragua, which are of course interested in the preservation of orderly conditions along the frontiers, will cooperate energetically with the Government of Honduras in arresting and extraditing offenders. Please convey the views of this Government informally to the Government of Guatemala. A similar telegram is being sent to the American Legation at Managua.

GREW

815.00/3569 : Telegram

The Chargé in Guatemala (Ellis) to the Secretary of State

GUATEMALA, April 13, 1925—10 a. m.

[Received 9:44 p. m.]

26. Referring to the Department's telegram of April 11, 4 p. m. Minister for Foreign Affairs assures me that his Government will do everything possible to stabilize conditions on Honduras frontier. He states that General Ferrera¹⁷ who is now concentrated here intends to leave for Mexico soon.

ELLIS

815.00/3678 : Telegram

The Consul at Ceiba (Waller) to the Secretary of State

CEIBA, April 19, 1925—noon.

[Received 5:58 p. m.]

Red¹⁸ Achoa with several hundred well-armed men railway west of Ceiba last night raided Monte Cristo six miles from Ceiba. The following telegram has been sent to United States Ship *Denver* which is now at Puerto Castillo:

“Commandant and Governor have just begged me to transmit their request to you to come immediately. They declare American lives are in jeopardy; they hope you will land marines and lend arms and ammunition as since departure of Diaz Zelaya they have practically no arms and ammunition; they fear attack any time.”

Situation is considered decidedly serious.

WALLER

¹⁷ Gen. Gregorio Ferrera, Honduran exile in Guatemala.

¹⁸ Color of the Liberal Party. The color of the National Party was blue.

\$15.00/3676 : Telegram

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

WASHINGTON, April 20, 1925—1 p. m.

29. You will present the following note to the Guatemalan Government:

"I am instructed to inform Your Excellency that the Government of the United States is gravely concerned at the events which have recently occurred along the frontier between Guatemala and Honduras. Although my Government had received repeated reports that the Honduran refugees living in Guatemala were plotting against the constituted authorities in their own country and were receiving aid and encouragement in their activities from persons in Guatemala, it had not considered it necessary to make formal representations to Your Excellency's Government because it was confident that the Government of Guatemala would do everything within its power, not only to fulfill its obligations under the Central American treaties, but to prevent its territory from being used in any way as a base of operations against a neighboring country. The reports which have hitherto been received have been called informally to the attention of Your Excellency's Government merely as an act of courtesy in order to facilitate such action as the Government of Guatemala might deem advisable.

The recent very serious events which have occurred in Honduras in places close to the Guatemalan frontier, however, and the circumstantial reports regarding the activities of Honduran refugees in such places as Los Quebradas and Los Playitas inevitably give rise to grave doubts whether the authorities of Guatemala in the frontier districts have taken energetic steps to prevent revolutionary activities against Honduras and to prevent the shipment over the frontier of arms and supplies. My Government feels confident that the full and wholehearted cooperation by the Guatemalan authorities with the constitutional government of Honduras would put an end to any serious revolutionary disturbances in the western part of the latter Republic and it feels confident that the President of Guatemala, in view of the recent events along the frontier, will take all necessary steps to bring about such cooperation. It is unnecessary to state that the Government of the United States attributes the greatest importance to the maintenance of peace in Honduras, now gravely jeopardized by the activities along the Guatemalan frontier. It cannot but regard with apprehension the complications which will inevitably arise between the various Central American Governments should any movement against the peace of Honduras be encouraged or tolerated by the authorities of a neighboring country."

You will state orally that this Government would be gratified to receive a detailed statement of the measures which the Government of Guatemala has taken and of the measures which it takes after the receipt of the above note to control the situation along the frontier.

KELLOGG

815.00/3686 : Telegram

The Consul at Ceiba (Waller) to the Secretary of State

CEIBA, April 22, 1925—1 p. m.

[Received 6:29 p. m.]

Department's telegrams of April 20, 1 p. m. [noon] and April 21, 4 p. m.¹⁹ Marines were on shore 30 hours and were withdrawn as soon as emergency had passed. Their presence is believed to have prevented attacking Honduran forces with almost certain destruction American lives from machine guns and other stray bullets. Respectfully refer to the fact that President of Honduras had already asked the American Chargé d'Affaires to summon *Denver* to take whatever action might be necessary to protect American lives; also local authorities had earlier informed me they would be unable to protect American lives. Confidently hope that full report by mail will cause approval of my action.

WALLER

815.00/3699 : Telegram

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

GUATEMALA, April 24, 1925—10 a. m.

[Received April 25—9:45 p. m.²⁰]

33. Referring to the Department's telegram of April 20, 1 p. m. The following is a translation of the reply which has been received from the Guatemalan Government:

"April 23, 1925. Mr. Minister: Referring to the courteous note of Your Excellency number 141 dated the 21st of the present month, I have the honor to say to you that the Government of Guatemala deplores the recent disturbances of order in Honduras and which according to reports received by this Government took place at localities far from the frontier of Guatemala with the sole exception of a revolt of small magnitude in Ocotopeque.

My Government, while indeed it is true that rumors have been communicated to it, has not received proofs, nor even concrete accusations of revolutionary activities in our frontier, nor of shipment of arms, supplies or provisions destined for Honduras.

This Government feels assured that the Guatemalan frontier authorities have complied with definite orders to prevent every activity which might disturb the peace in said Republic.

The authorities of Guatemala have endeavored from the beginning to comply with all indications received from the Government of Honduras to prevent insofar as possible that the Honduran *emi-*

¹⁹ Neither printed.²⁰ Telegram in two sections.

grados here residing contribute in any way to disorders in that Republic, and it is to be noted that the refugees who returned to Honduras did so availing themselves of the call made to them to that effect by the Honduran Government.

The Guatemalan Government continues disposed to give attention to all information and to continue to take every measure necessary to prevent any aid in favor of those who undertake to disturb the peace in that neighboring Republic.

I do not believe it inappropriate to state to Your Excellency that the contents of your above-mentioned note surprised me because only yesterday I received an official visit of [*from*] Dr. Silverio Lainez, Minister of Honduras in Guatemala, which had for its purpose compliance with an instruction which President Paz Baraona had given him to express to President Orellana warm thanks for the efficacious attitude which this Government assured in favor of the tranquility of his country.

The frontier zone of Guatemala is completely tranquil and the authorities maintain every vigilance.

Guatemala feels satisfied and sure that it has complied in the best manner with its obligations and that same attitude will be its policy in the future.

It is a pleasure to me to bring the foregoing to the knowledge of Your Excellency and I avail myself of the opportunity to reiterate to you assurances of my highest and most distinguished consideration. (signed) Rob Löwenthal."

The President and Secretary of State for Foreign Affairs stated to me verbally that among the measures taken by the Government of Guatemala during the past four months to prevent activities along the frontier by Honduran *emigrados* are orders to the authorities in frontier districts to prevent all such activities, to prevent all shipment of arms and supplies, and to concentrate all *emigrados* whose concentration was requested by the diplomatic representative of Honduras and that they will continue that policy. Mr. Löwenthal has also told me that the day before receiving this Legation's note of April 21 the Government of Guatemala appointed a new military commander at Esquipulas because the Minister of Honduras indicated doubt that the former commander was sufficiently energetic although the Government of Guatemala thought otherwise. Mr. Löwenthal also stated that on April 22 the Minister of Honduras said that certain revolutionists had hidden arms in Esquipulas and that the Government of Guatemala immediately ordered a rigid investigation and if the assertion be substantiated the seizure of the arms and concentration of the parties concerned.

Secretary of Legation Ellis tells me that general agent of the United Fruit Company informed him today that he has just been advised by the company's general manager for Guatemala who resides on plan-

tation near Quebradas and Playitas that there is no movement of any kind in prospect there and that there has been none. Repeated to Tegucigalpa.

GEISSLER

815.00/3711

The Acting Secretary of State to the Chargé in Salvador (Engert)

No. 167

WASHINGTON, May 13, 1925.

SIR: The Department has received Mr. Schuyler's strictly confidential despatch of April 20, 1925,²¹ reporting a conversation with the President of Salvador in which Dr. Quiñonez stated that he was considering cooperating with the authorities of Honduras in the maintenance of peace in the Department of Ocotepeque.

If you find that the Government of Salvador is actually contemplating any steps of the nature suggested by Dr. Quiñonez you may say informally that this Government feels that the intervention of Salvador's armed forces to maintain peace in Honduran territory would set an undesirable precedent and very possibly cause international complications in Central America, and that it would therefore regret any intervention of this nature, however beneficial the immediate effect might be in promoting tranquillity in Honduras.

I am [etc.]

JOSEPH C. GREW

815.00/3720: Telegram

The Secretary of State to the Ambassador in Great Britain (Houghton)

[Paraphrase]

WASHINGTON, May 16, 1925—4 p. m.

154. Information has come to the Department which indicates that revolutionists in Honduras are trying to get arms and ammunition from Belize, British Honduras.

Please take up the matter with the proper authorities and orally and informally express to them the hope that they will take all proper measures to prevent arms being exported from Belize to Honduras where they might be used to foment disorders. This Government is now endeavoring to assist the recently established constitutional authorities in Honduras to establish order.

KELLOGG

²¹ Not printed; Montgomery Schuyler was the American Minister to Salvador.

815.00/3721 : Telegram

The Ambassador in Great Britain (Houghton) to the Secretary of State

[Paraphrase]

LONDON, *May 18, 1925—4 p. m.*

[Received May 18—10:58 (?) a. m.]

148. Department's number 154, dated May 16, 4 p. m. Foreign Office has assured me that it will issue proper instructions.

HOUGHTON

815.00/3729 : Telegram

The Chargé in Honduras (Dennis) to the Secretary of State

TEGUCIGALPA, *May 27, 1925—2 p. m.*

[Received 8:15 p. m.]

71. My telegram No. 70, May 22, 10 p. m.²² The President's secretary exhibited this morning to me at the Legation a letter in the handwriting of Ferrera from Guatemala City dated May 10th addressed to Ochoa and followers associating himself with the insurrectionists, giving definite instructions for revolution in Honduras, and indicating hiding place of arms and the readiness of Reds at Livingston, Guatemala to launch expedition at a designated moment. Ochoa was killed shortly after landing from a sailing vessel at Salado in company with a small number of leaders including a Mexican general, who was later captured with further instructions from Ferrera of the same character which I expect to verify in a few days. After comparison of the above-mentioned letter with numerous examples of Ferrera's handwriting on file in the Legation I am able to certify to the genuineness of the letter.

The Honduran Government would appreciate an intimation from the Legation as to the advisability of requesting the expulsion of Ferrera from Guatemala.

The Honduran Government reports successes and good prospects in the operation against scattered insurrectionary bands along the border of Guatemala. Repeated to Salvador and Guatemala.

DENNIS

815.00/3729 : Telegram

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

WASHINGTON, *May 29, 1925—5 p. m.*

35. As you have been informed by the Legation at Tegucigalpa the Honduran authorities have obtained convincing evidence that Ferrera

²² Not printed.

has been involved in recent disturbances in Honduras. The Department is informing the legation at Tegucigalpa that it feels that Honduras would be justified in asking the Government of Guatemala to take appropriate steps to put an end to Ferrera's activities. Upon being informed that the Government of Honduras has made representations in the matter you may inform President Orellana that the American Chargé d'Affaires at Tegucigalpa has seen the captured letter from Ferrera to the Honduran revolutionists and is convinced of its authenticity, and that the Government of the United States therefore hopes that the Guatemalan Government will take prompt and effective steps to terminate Ferrera's activities, as well as to place under restraint and bring to justice the Honduran revolutionists at Livingston.

KELLOGG

815.00/3729 : Telegram

The Secretary of State to the Chargé in Honduras (Dennis)

WASHINGTON, May 29, 1925—5 p. m.

55. Your May 27, 2 p. m. The Department feels that the Government of Honduras would be justified in requesting the Government of Guatemala to take appropriate steps to put an end to Ferrera's activities now that convincing evidence of his plotting against the constitutional authorities in Honduras has been obtained. It is instructing the American Legation at Guatemala as follows:

[Here follows the last sentence of the Department's telegram No. 35, May 29, to the Minister in Guatemala, *supra*.]

KELLOGG

815.00/3707

The Secretary of State to the Consul at Ceiba (Waller)

WASHINGTON, June 2, 1925.

SIR: The Department has received your despatch No. 51 of April 22, 1925,²³ explaining your actions during the crisis at La Ceiba on April 19 and 20, 1925. On your statement the Department approves and commends your action. The Department fully realizes that you were compelled to act upon your own initiative in communicating with the commander of the *Denver* regarding the expected attack upon La Ceiba and has no doubt that you acted in accordance with your best judgment.

While the Department desires that the American consular officers on the north coast of Honduras should not hesitate to act upon their

²³ Not printed.

own initiative in taking measures essential for the the protection of American lives when they are convinced that the emergency is so grave and the danger so imminent as to leave no time for consulting the Department, when an emergency arises the Department desires that you should bear in mind its wish that Marines should not be landed at any time without prior consultation with the Department unless the necessity for such action is absolutely clear. It feels that the presence of an American warship will usually of itself be sufficient to procure respect for American life and property and that further measures should not ordinarily be taken unless such measures are clearly imperative. While the naval commander, in accordance with the standing instructions of the Navy Department must act upon his own responsibility in landing forces or taking other military measures, he will act in consultation with the diplomatic representative or consul and presumably will ordinarily act in accordance with the latter's advice. Accordingly, the Department desires that its representatives should express definitely to the naval commanders and to the Department their opinion regarding the action necessary in a given emergency, and it does not desire that they should transmit requests for help from the local authorities or from resident Americans without transmitting at the same time their own recommendations.

You are instructed to bear the foregoing carefully in mind for your guidance in future contingencies.

I am [etc.]

For the Secretary of State:

JOSEPH C. GREW

815.00/3737 : Telegram

The Chargé in Honduras (Dennis) to the Secretary of State

TEGUCIGALPA, June 3, 1925—2 p. m.

[Received June 4—11: 15 p. m.]

73. Referring to the Department's telegram of May 29, 5 p. m. The Honduran Government has sent instructions to Lainez²⁴ to make appropriate representations to the Guatemalan Government on the basis of the Ferrera letters, fresh invasions, and the findings of a commission of investigation along the border. . . .

Repeated to Guatemala and Salvador.

DENNIS

²⁴ Silverio Lainez, Honduran Minister to Guatemala.

815.00/3743 : Telegram

The Secretary of State to the Chargé in Honduras (Dennis)

WASHINGTON, June 22, 1925—3 p. m.

61. Your June 6, 1 p. m.,²⁵ and other correspondence regarding revolutionary difficulties.

Before the Department could consider lending more active support to the Government of Honduras in maintaining stable political conditions it would have to be certain that the Government of Honduras itself was taking active and energetic steps to establish more orderly conditions, particularly in such districts as Ceiba, Tela and Trumillo, and it would also desire a formal request in writing from the Government of Honduras indicating in just what way the Government of the United States could be of assistance.

The Department views with concern the situation existing in the north coast districts mentioned, where the failure of the constituted authorities to maintain order and repress crime is a menace to the security of the very numerous Americans living there. It desires therefore that you should discuss with the appropriate officials the necessity for taking active steps to deal with that situation. If they express a desire to have the assistance of the United States in doing so you may say that the Department would doubtless require a definite statement in writing indicating in what manner its assistance was desired, if it were to give consideration to the matter. You may also say that any steps taken would presumably be more likely to be successful if taken with the full approval and support of Carias,²⁶ Martinez Funes and Tosta, and that your Government would presumably wish to know that these leaders had formally expressed their approval of any request for assistance which the Honduran Government might make.

KELLOGG

815.00/3773 : Telegram

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

MANAGUA, June 24, 1925—10 a. m.

[Received 3:47 p. m.]

109. The Nicaraguan Government yesterday declared the [a] state of siege [in ?] territory along a specified strip of territory adjacent to the Honduran boundary in order to enable the authorities to adopt more effective measures for the control of lawlessness. Repeated to Honduras.

THURSTON

²⁵ Not printed.²⁶ Tiburcio Carias, Chief of the National Party.

815.00/3774 : Telegram

*The Acting Secretary of State to the Minister in Guatemala
(Geissler)*

WASHINGTON, June 27, 1925—2 p. m.

42. American Legation Tegucigalpa reports that the President of Guatemala refuses to deport Ferrera on the ground that he is now a Guatemalan citizen. Please report immediately (1) whether the above report is accurate, and (2) just what the present situation is regarding Ferrera's deportation.

CARR

815.00/3779 : Telegram

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

GUATEMALA, June 29, 1925—noon.

[Received June 30—12:40 p. m.]

62. Department's telegram number 42, June 27, 2 p. m., arrived this morning.

About June 18th the Minister of Honduras informed the Secretary of State for Foreign Affairs of Guatemala that the Government of Honduras desired Ferrera to remain in Guatemala for the time being—see telegram from Tegucigalpa, June 16th, 5 p. m.²⁷

Yesterday Minister Lainez gave me a copy of note dated June 27th, in which he requests that Ferrera and five others "leave the territory of Guatemala because of their carrying on in this capital their revolutionary activities against Honduras;" that they leave by way of San José de Guatemala for Panama and that the Government of Honduras gives assurances that it will not exercise jurisdiction for the removal of those persons from the ship in which they make that journey to Panama by way of Amapala.

It will be observed that the note does not make privilege to pass through Amapala contingent upon expulsion as did the note of June 8th (see Legation's telegram June 15, 3 pm),²⁷ but it seems that Tegucigalpa still wants an order of expulsion or deportation and preferably at the instance of the United States.

The Department says²⁸ that under the Constitution of Guatemala Ferrera as a Central American cannot be legally expelled (see page 5 of despatch number 912-G June 16th).²⁷

It appears that some members of the Cabinet are strongly against expulsion and the issuance of an order would I am told perhaps result in court proceedings.

²⁷ Not printed.

²⁸ An error; should be "The Guatemalan Secretary of State for Foreign Affairs says."

Any advantage which might accrue to Tegucigalpa through having an order of expulsion procured under existing circumstances through the medium of the United States even though it be done unofficially would in my judgment be offset by adverse psychological effects and also harmful here and elsewhere to the United States and also harmful to the Government of Honduras.

It would seem to be more appropriate to continue the Department's policy outlined in its telegram of May 29th, 5 p. m.

I shall today make unofficial inquiry as to action which Guatemala intends to take in view of the above-mentioned note.

If circumstances suggest it I shall subsequently unless otherwise instructed inquire what steps the Government of Guatemala has taken to effectively terminate Ferrera's activities. Repeated to Tegucigalpa.

GEISSLER

815.00/3779 : Telegram

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

[Paraphrase]

WASHINGTON, July 1, 1925—7 p. m.

44. Legation's telegram number 62, June 29, noon. According to article 14 of the General Treaty of Peace and Amity,²⁹ Guatemala has assumed the obligation "not to permit any person, whether a national, Central American or foreigner, to organize or foment revolutionary activities within its territory against a recognized government of any other Central American republic." Department is unable to understand why Guatemala has failed to take effective steps to end the activities of Ferrera against the peace of Honduras. According to convincing evidence Ferrera has been instigating revolutionary activities by means of correspondence if not by other means. As reported in your June 15, 3 p. m.,³⁰ the Government of Guatemala has admitted that the measures which it has taken thus far have been insufficient to prevent those activities.

The Government of the United States is convinced, without attempting for the present to suggest the nature of the measures which should be taken, that present evidence not only justifies but demands that Guatemala take some effective action. It has no doubt that such action is within the power of the Government of Guatemala, and hopes that that action be taken immediately.

The above may be read to the proper officials. The Department will make a similar oral communication to the Guatemalan Minister. The Department does not wish to urge any particular measure officially. It feels, nevertheless, that only the departure of Ferrera,

²⁹ *Conference of Central American Affairs*, p. 287.

³⁰ Not printed.

preferably to Panama, or his confinement under conditions which will prevent him effectively from communicating with his supporters will be satisfactory. We cannot perceive why a suggestion to Guatemala that she comply with her solemn treaty obligations after being given convincing proof of the violation of her neutrality by Ferrera should have the "adverse psychological effects" which you mention. The Department relies on you to put forth your best efforts to convince the Government of Guatemala of the necessity of taking the proper measures to prevent Guatemala from being employed as a base for plots against the Honduran Government.

KELLOGG

815.00/3786 : Telegram

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

GUATEMALA, July 3, 1925—5 p. m.

[Received 7:30 p. m.]

65. The Minister for Foreign Affairs has informed me that Ferrera left Guatemala today for Salvador over automobile highway carrying visé of Chargé d'Affaires, Salvador, and that he has unofficially suggested to the Chargé d'Affaires that he inform his Foreign Office of the coming of the Honduranean *emigrado*.

Repeated to Tegucigalpa and Salvador.

GEISSLER

815.00/3788 : Telegram

The Chargé in Salvador (Engert) to the Secretary of State

SAN SALVADOR, July 6, 1925—9 a. m.

[Received 5:45 p. m.]

38. Legation's 23, May 29th.³¹ Ferrera arrived here yesterday from Guatemala and the Minister for Foreign Affairs assures me that he will be kept under strict surveillance.

Repeated Tegucigalpa and Guatemala.

ENGERT

815.00/3803 : Telegram

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

GUATEMALA, July 21, 1925—noon.

[Received July 22 (?)—9:50 a. m.]

67. The Minister of Nicaragua, General Murillo, has informed me that yesterday he suggested on behalf of President Solorzano to the President of Guatemala joint action of all Central American Re-

³¹ Not printed.

publics for the purpose of devising prompt and effective means for the reestablishment of enduring peace in Honduras and that President Orellana expressed interest and said that in order to avoid such false interpretations as might result if the invitation be extended by a Central American Government other than that of Honduras he considered it best that through this Legation the hope be expressed to the Department of State that it will indicate to the Government of Honduras the desirability of inviting the Central American Governments for a conference on board an American cruiser or in some Central American port.

General Murillo says further that in view of the interest which the Department of State has always taken in the welfare of the peoples of Central America he doubts not that it will give benevolent reception to the thought. He requested that I inform him of the decisions of the Department.

Repeated to other Central American missions.

GEISSLER

815.00/3803 : Telegram

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

WASHINGTON, July 24, 1925—4 p. m.

49. Your 67, July 21, noon. You may reply to the Minister of Nicaragua and informally advise President Orellana that the Department feels the present administration in Honduras is doing all that it can to establish and maintain peace, and that if it receives the friendly support and cooperation which it has a right to expect from neighboring governments, no other joint action on their part would appear necessary or advisable, and the Government of Honduras will probably be able to dominate the situation.

The Department is of the opinion that the need today is not for further international conferences, but for a strict compliance by all the Central American republics with their existing treaty obligations, so that attempts to launch revolutions in Honduras from adjacent territory may be unavailing.

Repeated to other Central American missions.

KELLOGG

815.00/3812 : Telegram

The Chargé in Salvador (Engert) to the Secretary of State

SAN SALVADOR, July 25, 1925—2 p. m.

[Received 5:30 p. m.]

49. To an informal inquiry from the Legation in Tegucigalpa regarding the possibility of deporting Ferrera to Panama, this Legation has replied as follows:

"After repeated unofficial conversations with the President and the Minister for Foreign Affairs I feel that the Salvadoran Government can be trusted to take every precaution to prevent revolutionary activities by Ferrera although it cannot of course guarantee success. I quite agree that all [it?] would be preferable if Ferrera resided in territory not contiguous with Honduras but to demand his expulsion at this time would be tantamount to an expression of lack of confidence in the good faith of the Salvadoran Government or its ability to maintain effective surveillance. I believe President Quinonez would himself suggest Ferrera's removal as [at?] the first breach of his written word."

ENGERT

815.00/3913

The Secretary of State to the Minister in Honduras (Summerlin)

No. 8

WASHINGTON, December 22, 1925.

SIR: The Department has received Mr. Dennis' despatch (No. 902) of November 20, 1925,³² regarding political conditions in Honduras and more especially the efforts of the President to obtain American Marines to preserve order should certain political officers be removed.

The Department desires to express its high approval of Mr. Dennis' reply that the problems of the Honduran Government should be solved by native statesmanship and not by American arms. The Department feels that no lasting improvement can be attained in Central America as long as all parties look to Washington for the last word. Unless there is responsibility among the people themselves for the conduct of their Government and a desire among the people themselves for improved conditions any efforts on the part of this Government would appear to be illusory. The Department desires, therefore, that you should make use of every opportunity to impress upon the members of the Government and others in Honduras that the responsibility for the Government rests upon them; that the center of Honduran political activities is in Honduras and not in Washington and that regeneration must come from within. You should give your encouragement to any individuals or groups of individuals who are seriously endeavoring to bring about better conditions in Honduras on the basis of the assumption of responsibility therefor by the Hondurans.

I am [etc.]

FRANK B. KELLOGG

³² Not printed.

GOOD OFFICES OF THE UNITED STATES IN PROMOTING A SETTLEMENT BETWEEN THE GOVERNMENT OF HONDURAS AND THE BRITISH BONDHOLDERS

815.51/566 : Telegram

The Chargé in Honduras (Dennis) to the Secretary of State

TEGUCIGALPA, *March 7, 1925—6 p. m.*

[Received March 9—12:32 a. m.]

36. Referring to the Department's telegram of February 4, 2 p. m.³³ British consul is pressing the President to sign the Lyall agreement and to submit it to Congress at once.³⁴ A counterproject proposed by the Honduran Government has been summarily rejected as unacceptable by the British representative. The President wishes to defer action until the question of the British debts can be considered at Washington in conjunction with the raising of a large loan. In response to urgent verbal solicitations of advice I have informed the President that in the absence of instructions I was unauthorized to recommend any course of action; however, that it was my personal and confidential opinion that were the Honduran Government to decide to defer action upon the agreement pending the arrival at Washington of the representative of Honduras, Señor Lopez, who was being sent in a few days to negotiate a loan, this decision would not be ignored or displeasing to the Department.

The President would like to have an expression of opinion from the Department as he is somewhat impressed by the insistence of the British representative. I explained to the President that the Department might not feel disposed to make a statement which might be taken as a direction to the Honduran Government in respect of an issue between the latter and the British bondholders but that I would undertake to obtain an intimation from the Department for the guidance of the President and of the Legation.

I have received today a note from the British representative asking me to inquire of the Department whether it would be prepared to convey to the Honduran Government an intimation with regard

³³ Not printed.

³⁴ The Lyall agreement was an *ad referendum* arrangement made in 1923 between the representatives of the Government of Honduras and the Corporation of Foreign Bondholders of London—George Lyall, the British Chargé, acting as the representative of the corporation. The arrangement, which was not ratified by Honduras, provided for the settlement of the external debt of Honduras by the payment of £1,200,000 in 30 semi-annual installments. See *Fiftieth Annual Report of the Council of the Corporation of Foreign Bondholders, London, for the Year 1923* (London, Council House), pp. 211 ff.

to the agreement similar to that contained in earlier instructions to the Legation.³⁵

I made it clear to the British consul as well as to the President that my Government would view with satisfaction the settlement of the British debt and that I believed settlement of the question would be a condition of the Department's approval of any large American loan of [to] Honduras. However I told him I could not urge the acceptance of the agreement without further instructions from my Government which I felt possibly might not care to influence the Honduran Government to any action with regard to the British debt, that in view of the projected loan negotiations might be against the best judgment of [my?] Government.

The Minister for Foreign Affairs informed me last night that Señor Lopez's credentials would be submitted to the Legation in a few days for verification prior to his departure for the United States.

DENNIS

815.51/567

The British Embassy to the Department of State

EXTERNAL DEBT OF HONDURAS

It is understood that the pending Agreement for the settlement of this debt, which was approved by the Council of Foreign Bondholders in May 1923, and which still requires ratification by the Congress of Honduras, is shortly to be submitted to the latter body.

As it is believed that the United States Government in 1923 favoured a solution of this question on the terms stated in the pending Agreement³⁶ it is hoped that the United States representative at Tegucigalpa may receive instructions to support His Majesty's Consul there in urging the submission of the Agreement to the Congress of Honduras for ratification, in order that this long outstanding question may be disposed of as soon as possible.

[WASHINGTON,] *March 12, 1925.*

³⁵ On Apr. 30, 1923, Secretary Hughes instructed the American Minister in Honduras as follows: "The Department believes a suitable settlement of the British debt would be to the advantage of Honduras and you may inform the Government of Honduras very informally to this effect, should an appropriate occasion arise." (File No. 815.51/506.)

³⁶ See footnote 35, *supra*.

815.51/566 : Telegram

The Secretary of State to the Chargé in Honduras (Dennis)

WASHINGTON, March 14, 1925—noon.

29. Your No. 36, March 7, 6 p. m. You may inform the Government of Honduras that this Government cannot undertake to give advice regarding the acceptance or rejection of any specific agreement with the British bondholders. You may say, however, that you are authorized confidentially to call the attention of the Government of Honduras to the fact that the conclusion of a suitable arrangement with the British bondholders might strengthen the credit of Honduras and thus facilitate the flotation of any subsequent loan. You may also suggest that in order not to tie up permanently revenues or assets which might be used as security for a future loan, the Government might wish to include in any agreement reached with the British bondholders provision giving it the option to discharge its obligations to them at any time by the payment of the capitalized value of the installments remaining unpaid at that date. A provision could readily be inserted giving this option and specifying the rate of discount and the manner in which the unpaid installments would be capitalized.

KELLOGG

815.51/614 : Telegram

The Acting Secretary of State to the Minister in Honduras (Summerlin)

WASHINGTON, December 29, 1925—3 p. m.

88. Department's instruction 780, November 11.⁸⁷

(1) Reports have reached Department indicating the possibility that agreement for settling British debt may not be approved by the Honduran Government.

(2) In view of the desirability of settling this long standing issue, Department desires you, if you see no objection, informally and discreetly to urge upon the Honduran Government the great importance of reaching an agreement. Department considers proposed arrangement fair and that its ratification would importantly contribute toward rehabilitation of Honduran finances.

Report briefly by telegraph and fully by mail significant developments.⁸⁸

GREW

⁸⁷ Not printed; it enclosed a copy and translation of an arrangement between the representatives of the Government of Honduras and the Corporation of Foreign Bondholders of London, signed Oct. 9, 1925.

⁸⁸ The arrangement of Oct. 29, 1925, was ratified by the Honduran Congress on Mar. 9, 1926. For the text of the arrangement, see *Fifty-third Annual Report of the Council of the Corporation of Foreign Bondholders, London, for the Year 1926*, p. 246.

HUNGARY

TREATY OF FRIENDSHIP, COMMERCE AND CONSULAR RIGHTS BETWEEN THE UNITED STATES AND HUNGARY, SIGNED JUNE 24, 1925

Treaty Series No. 748

*Treaty Between the United States of America and Hungary, Signed at Washington, June 24, 1925*¹

The United States of America and the Kingdom of Hungary, desirous of strengthening the bond of peace which happily prevails between them, by arrangements designed to promote friendly intercourse between their respective territories through provisions responsive to the spiritual, cultural, economic and commercial aspirations of the peoples thereof, have resolved to conclude a Treaty of Friendship, Commerce and Consular Rights and for that purpose have appointed as their Plenipotentiaries:

The President of the United States of America: Frank B. Kellogg, Secretary of State of the United States, and

The Governor of Hungary: Count László Széchényi, Envoy Extraordinary and Minister Plenipotentiary of Hungary to the United States of America.

Who, having communicated to each other their full powers found to be in due form, have agreed upon the following articles:

ARTICLE I

The nationals of each of the High Contracting Parties shall be permitted to enter, travel and reside in the territories of the other; to exercise liberty of conscience and freedom of worship; to engage in professional, scientific, religious, philanthropic, manufacturing and commercial work of every kind without interference; to carry on every form of commercial activity which is not forbidden by the local law; to own, erect or lease and occupy appropriate buildings and to lease lands for residential, scientific, religious, philanthropic, manufacturing, commercial and mortuary purposes; to employ agents of their choice, and generally to do anything incidental to or necessary

¹ In English and Hungarian; Hungarian text not printed. Ratification advised by the Senate, Mar. 26, 1926 (Legislative day of Mar. 25); ratified by the President, June 16, 1926; ratified by Hungary, Apr. 1, 1926; ratifications exchanged at Budapest, Sept. 4, 1926; proclaimed by the President, Oct. 4, 1926.

for the enjoyment of any of the foregoing privileges upon the same terms as nationals of the state of residence or as nationals of the nation hereafter to be most favored by it, submitting themselves to all local laws and regulations duly established.

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.

The nationals of each High Contracting Party shall enjoy freedom of access to the courts of justice of the other on conforming to the local laws, as well for the prosecution as for the defence of their rights, and in all degrees of jurisdiction established by law.

The nationals of each High Contracting Party shall receive within the territories of the other, upon submitting to conditions imposed upon its nationals, the most constant protection and security for their persons and property, and shall enjoy in this respect that degree of protection that is required by international law. Their property shall not be taken without due process of law and without payment of just compensation.

ARTICLE II

With respect to that form of protection granted by National, State or Provincial laws establishing civil liability for injuries or for death, and giving to relatives or heirs or dependents of an injured party a right of action or a pecuniary benefit, such relatives or heirs or dependents of the injured party, himself a national of either of the High Contracting Parties and within any of the territories of the other, shall regardless of their alienage or residence outside of the territory where the injury occurred, enjoy the same rights and privileges as are or may be granted to nationals, and under like conditions.

ARTICLE III

The dwellings, warehouses, manufactories, shops and other places of business, and all premises thereto appertaining of the nationals of each of the High Contracting Parties in the territories of the other used for any purposes set forth in Article I, shall be respected. It shall not be allowable to make a domiciliary visit to, or search of any such buildings and premises, or there to examine and inspect books, papers or accounts, except under the conditions and in conformity with the forms prescribed by the laws, ordinances and regulations for nationals.

ARTICLE IV

Where, on the death of any person holding real or other immovable property or interests therein within the territories of one High Con-

tracting Party, such property or interests therein would, by the laws of the country or by a testamentary disposition, descend or pass to a national of the other High Contracting Party, whether resident or non-resident, were he not disqualified by the laws of the country where such property or interests therein is or are situated, such nationals shall be allowed a term of three years in which to sell the same, this term to be reasonably prolonged if circumstances render it necessary, and withdraw the proceeds thereof, without restraint or interference, and exempt from any succession, probate or administrative duties or charges other than those which may be imposed in like cases upon the nationals of the country from which such proceeds may be drawn.

Nationals of either High Contracting Party may have full power to dispose of their personal property of every kind within the territories of the other, by testament, donation, or otherwise, and their heirs, legatees and donees, of whatsoever nationality, whether resident or non-resident, shall succeed to such personal property, and may take possession thereof, either by themselves or by others acting for them, and retain or dispose of the same at their pleasure subject to the payment of such duties or charges only as the nationals of the High Contracting Party within whose territories such property may be or belong shall be liable to pay in like cases.

ARTICLE V

The nationals of each of the High Contracting Parties in the exercise of the right of freedom of worship, within the territories of the other, as hereinabove provided, may, without annoyance or molestation of any kind by reason of their religious belief or otherwise, conduct services either within their own houses or within any appropriate buildings which they may be at liberty to erect and maintain in convenient situations, provided their teachings or practices are not contrary to public morals; and they may also be permitted to bury their dead according to their religious customs in suitable and convenient places established and maintained for the purpose, subject to the reasonable mortuary and sanitary laws and regulations of the place of burial.

ARTICLE VI

In the event of war between either High Contracting Party and a third State, such Party may draft for compulsory military service nationals of the other having a permanent residence within its territories and who have formally, according to its laws, declared an intention to adopt its nationality by naturalization, unless such individuals depart from the territories of said belligerent Party within sixty days after a declaration of war.

ARTICLE VII

Between the territories of the High Contracting Parties there shall be freedom of commerce and navigation. The nationals of each of the High Contracting Parties equally with those of the most favored nation, shall have liberty freely to come with their vessels and cargoes to all places, ports and waters of every kind within the territorial limits of the other which are or may be open to foreign commerce and navigation. Nothing in this treaty shall be construed to restrict the right of either High Contracting Party to impose, on such terms as it may see fit, prohibitions or restrictions of a sanitary character designed to protect human, animal or plant life, or regulations for the enforcement of police or revenue laws.

Each of the High Contracting Parties binds itself unconditionally to impose no higher or other duties or conditions and no prohibition on the importation of any article, the growth, produce or manufacture, of the territories of the other than are or shall be imposed on the importation of any like article, the growth, produce or manufacture of any other foreign country.

Each of the High Contracting Parties also binds itself unconditionally to impose no higher or other charges or other restrictions or prohibitions on goods exported to the territories of the other High Contracting Party than are imposed on goods exported to any other foreign country.

Any advantage of whatsoever kind which either High Contracting Party may extend to any article, the growth, produce, or manufacture of any other foreign country shall simultaneously and unconditionally, without request and without compensation, be extended to the like article the growth, produce or manufacture of the other High Contracting Party.

With respect to the amount and collection of duties on imports and exports of every kind, each of the two High Contracting Parties binds itself to give to the nationals, vessels and goods of the other the advantage of every favor, privilege or immunity which it shall have accorded to the nationals, vessels and goods of a third State, and regardless of whether such favored State shall have been accorded such treatment gratuitously or in return for reciprocal compensatory treatment. Every such favor, privilege or immunity which shall hereafter be granted the nationals, vessels or goods of a third State shall simultaneously and unconditionally, without request and without compensation, be extended to the other High Contracting Party, for the benefit of itself, its nationals and vessels.

All articles which are or may be legally imported from foreign countries into ports of the United States in vessels of the United States may likewise be imported into those ports in Hungarian ves-

sels without being liable to any other or higher duties or charges whatsoever than if such articles were imported in vessels of the United States; and, reciprocally, all articles which are or may be legally imported from foreign countries into the ports of Hungary in Hungarian vessels, may likewise be imported into these ports in vessels of the United States without being liable to any other or higher duties or charges whatsoever than if such articles were imported from foreign countries in Hungarian vessels.

The stipulations of this Article do not extend to the treatment which is accorded by the United States to the commerce of Cuba under the provisions of the Commercial Convention concluded by the United States and Cuba on December 11, 1902,² or any other commercial convention which hereafter may be concluded by the United States with Cuba, or to the commerce of the United States with any of its dependencies and the Panama Canal Zone under existing or future laws.

ARTICLE VIII

The nationals and merchandise of each High Contracting Party within the territories of the other shall receive the same treatment as nationals and merchandise of the country with regard to internal taxes, transit duties, charges in respect to warehousing and other facilities and the amount of drawbacks and bounties.

ARTICLE IX

Limited liability and other corporations and associations, whether or not for pecuniary profit, which have been or may hereafter be organized in accordance with and under the laws, National, State or Provincial, of either High Contracting Party and maintain a central office within the territories thereof, shall have their juridical status recognized by the other High Contracting Party provided that they pursue no aims within its territories contrary to its laws. They shall enjoy free access to the courts of law and equity, on conforming to the laws regulating the matter, as well for the prosecution as for the defense of rights in all the degrees of jurisdiction established by law.

The right of such corporations and associations of either High Contracting Party so recognized by the other to establish themselves within its territories, establish branch offices and fulfill their functions therein shall depend upon, and be governed solely by, the consent of such Party as expressed in its National, State or Provincial laws.

² Malloy, *Treaties, 1776-1909*, vol. I, p. 353.

ARTICLE X

The nationals of either High Contracting Party shall enjoy within the territories of the other, reciprocally and upon compliance with the conditions there imposed, such rights and privileges as have been or may hereafter be accorded the nationals of any other State with respect to the organization of and participation in limited liability and other corporations and associations, for pecuniary profit or otherwise, including the rights of promotion, incorporation, purchase and ownership and sale of shares and the holding of executive or official positions therein. In the exercise of the foregoing rights and with respect to the regulation or procedure concerning the organization or conduct of such corporations or associations, such nationals shall be subjected to no conditions less favorable than those which have been or may hereafter be imposed upon the nationals of the most favored nation. The rights of any of such corporations or associations as may be organized or controlled or participated in by the nationals of either High Contracting Party within the territories of the other to exercise any of their functions therein, shall be governed by the laws and regulations, National, State or Provincial, which are in force or may hereafter be established within the territories of the Party wherein they propose to engage in business. The foregoing stipulations do not apply to the organization of and participation in political associations.

The nationals of either High Contracting Party shall, moreover, enjoy within the territories of the other, reciprocally and upon compliance with the conditions there imposed, such rights and privileges as have been or may hereafter be accorded the nationals of any other State with respect to the mining of coal, phosphate, oil, oil shale, gas, and sodium on the public domain of the other.

ARTICLE XI

(a) Manufacturers, merchants, and traders domiciled within the jurisdiction of one of the High Contracting Parties may operate as commercial travelers either personally or by means of agents or employees within the jurisdiction of the other High Contracting Party on obtaining from the latter, upon payment of a single fee, a license which shall be valid throughout its entire territorial jurisdiction.

In case either of the High Contracting Parties shall be engaged in war, it reserves to itself the right to prevent from operating within its jurisdiction under the provisions of this Article, or otherwise, enemy nationals or other aliens whose presence it may consider prejudicial to public order and national safety.

(*b*) In order to secure the license above mentioned the applicant must obtain from the country of domicile of the manufacturers, merchants and traders represented a certificate attesting his character as a commercial traveler. This certificate, which shall be issued by the authority to be designated in each country for the purpose, shall be visáed by the consul of the country in which the applicant proposes to operate, and the authorities of the latter shall, upon the presentation of such certificate, issue to the applicant the national license as provided in Section (*a*).

(*c*) A commercial traveler may sell his samples without obtaining a special license as an importer.

(*d*) Samples without commercial value shall be admitted to entry free of duty.

Samples marked, stamped or defaced in such manner that they cannot be put to other uses shall be considered as objects without commercial value.

(*e*) Samples having commercial value shall be provisionally admitted upon giving bond for the payment of lawful duties if they shall not have been withdrawn from the country within a period of six (6) months.

Duties shall be paid on such portion of the samples as shall not have been so withdrawn.

(*f*) All customs formalities shall be simplified as much as possible with a view to avoid delay in the despatch of samples.

(*g*) Peddlers and other salesmen who vend directly to the consumer, even though they have not an established place of business in the country in which they operate, shall not be considered as commercial travelers, but shall be subject to the license fees levied on business of the kind which they carry on.

(*h*) No license shall be required of:

1.—Persons traveling only to study trade and its needs, even though they initiate commercial relations, provided they do not make sales of merchandise.

2.—Persons operating through local agencies which pay the license fee or other imposts to which their business is subject.

3.—Travelers who are exclusively buyers.

(*i*) Any concessions affecting any of the provisions of the present Article that may hereafter be granted by either High Contracting Party, either by law or by treaty or convention, shall immediately be extended to the other Party.

ARTICLE XII

(*a*) Regulations governing the renewal and transfer of licenses issued under the provisions of Article XI, and the imposition of

finer and other penalties for any misuse of licenses may be made by either of the High Contracting Parties whenever advisable within the terms of Article XI and without prejudice to the rights defined therein.

If such regulations permit the renewal of licenses, the fee for renewal will not be greater than that charged for the original license.

If such regulations permit the transfer of licenses, upon satisfactory proof that transferee or assignee is in every sense the true successor of the original licensee, and that he can furnish a certificate of identification similar to that furnished by the original licensee, he will be allowed to operate as a commercial traveler pending the arrival of the new certificate of identification, but the cancellation of the bond for the samples shall not be effected before the arrival of the said certificate.

(b) It is the citizenship of the firm that the commercial traveler represents, and not his own, that governs the issuance to him of a certificate of identification.

The High Contracting Parties agree to empower the local customs officials or other competent authorities to issue the said licenses upon surrender of the certificate of identification and authenticated list of samples, acting as deputies of the central office constituted for the issuance and regulation of licenses. The said officials shall immediately transmit the appropriate documentation to the central office, to which the licensee shall thereafter give due notice of his intention to ask for the renewal or transfer of his license, if these acts be allowable, or cancellation of his bond, upon his departure from the country. Due notice in this connection will be regarded as the time required for the exchange of correspondence in the normal mail schedules, plus five business days for purposes of official verification and registration.

(c) It is understood that the traveler will not engage in the sale of other articles than those embraced by his line of business; he may sell his samples, thus incurring an obligation to pay the customs duties thereupon, but he may not sell other articles brought with him or sent to him, which are not reasonably and clearly representative of the kind of business he purports to represent.

(d) Advertising matter brought by commercial travelers in appropriate quantities shall be treated as samples without commercial value. Objects having a depreciated commercial value because of adaptation for purposes of advertisement, and intended for gratuitous distribution, shall, when introduced in reasonable quantities, also be treated as samples without commercial value. It is understood, however, that this prescription shall be subject to the customs laws of the respective countries. Samples accompanying the com-

mercial traveler will be despatched as a portion of his personal baggage; and those arriving after him will be given precedence over ordinary freight.

(e) If the original license was issued for a period longer than six months, or if the license be renewed, the bond for the samples will be correspondingly extended. It is understood, however, that this prescription shall be subject to the customs laws of the respective countries.

ARTICLE XIII

There shall be complete freedom of transit through the territories including territorial waters of each High Contracting Party on the routes most convenient for international transit, by rail, navigable waterway, and canal, other than the Panama Canal and waterways and canals which constitute international boundaries of the United States, to persons and goods coming from or going through the territories of the other High Contracting Party, except such persons as may be forbidden admission into its territories or goods of which the importation may be prohibited by law. Persons and goods in transit shall not be subjected to any transit duty, or to any unnecessary delays or restrictions, and shall be given national treatment as regards charges, facilities, and all other matters.

Goods in transit must be entered at the proper customhouse, but they shall be exempt from all customs or other similar duties.

All charges imposed on transport in transit shall be reasonable, having regard to the conditions of the traffic.

ARTICLE XIV

Each of the High Contracting Parties agrees to receive from the other, consular officers in those of its ports, places and cities, where it may be convenient and which are open to consular representatives of any foreign country.

Consular officers of each of the High Contracting Parties shall, after entering upon their duties, enjoy reciprocally in the territories of the other all the rights, privileges, exemptions and immunities which are enjoyed by officers of the same grade of the most-favored-nation. As official agents, such officers shall be entitled to the high consideration of all officials, national or local, with whom they have official intercourse in the State which receives them.

The Government of each of the High Contracting Parties shall furnish free of charge the necessary exequatur of such consular officers of the other as present a regular commission signed by the chief executive of the appointing State and under its great seal; and it shall issue to a subordinate or substitute consular officer duly

appointed by an accepted superior consular officer with the approbation of his Government, or by any other competent officer of that Government, such documents as according to the laws of the respective countries shall be requisite for the exercise by the appointee of the consular function. On the exhibition of an *exequatur*, or other document issued in lieu thereof to such subordinate, such consular officer shall be permitted to enter upon his duties and to enjoy the rights, privileges and immunities granted by this treaty.

ARTICLE XV

Consular officers, nationals of the State by which they are appointed, shall be exempt from arrest except when charged with the commission of offenses locally designated as crimes other than misdemeanors and subjecting the individual guilty thereof to punishment. Such officers shall be exempt from military billetings, and from service of any military or naval, administrative or police character whatsoever. In criminal cases the attendance at the trial by a consular officer as a witness may be demanded by the prosecution or defense. The demand shall be made with all possible regard for the consular dignity and the duties of the office; and there shall be compliance on the part of the consular officer.

Consular officers shall be subject to the jurisdiction of the courts in the State which receives them in civil cases, subject to the proviso, however, that when the officer is a national of the State which appoints him and is engaged in no private occupation for gain, his testimony shall be taken orally or in writing at his residence or office and with due regard for his convenience. The officer should, however, voluntarily give his testimony at the trial whenever it is possible to do so without serious interference with his official duties.

ARTICLE XVI

Consular officers, including employees in a consulate, nationals of the State by which they are appointed other than those engaged in private occupations for gain within the State where they exercise their functions shall be exempt from all taxes, National, State, Provincial and Municipal, levied upon their persons or upon their property, except taxes levied on account of the possession or ownership of immovable property situated in, or income derived from property of any kind situated or belonging within the territories of the State within which they exercise their functions. All consular officers and employees, nationals of the State appointing them shall be exempt from the payment of taxes on the salary, fees or wages received by them in compensation for their consular services.

Lands and buildings situated in the territories of either High Contracting Party, of which the other High Contracting Party is the legal or equitable owner and which are used exclusively for governmental purposes by that owner, shall be exempt from taxation of every kind, National, State, Provincial and Municipal, other than assessments levied for services or local public improvements by which the premises are benefited.

ARTICLE XVII

Consular officers may place over the outer door of their respective offices the arms of their State with an appropriate inscription designating the official office. Such officers may also hoist the flag of their country on their offices including those situated in the capitals of the two countries. They may likewise hoist such flag over any boat or vessel employed in the exercise of the consular function.

The consular offices and archives shall at all times be inviolable. They shall under no circumstances be subjected to invasion by any authorities of any character within the country where such offices are located. Nor shall the authorities under any pretext make any examination or seizure of papers or other property deposited within a consular office. Consular offices shall not be used as places of asylum. No consular officer shall be required to produce official archives in court or testify as to their contents.

Upon the death, incapacity, or absence of a consular officer having no subordinate consular officer at his post, secretaries or chancellors, whose official character may have previously been made known to the government of the State where the consular function was exercised, may temporarily exercise the consular function of the deceased or incapacitated or absent consular officer; and while so acting shall enjoy all the rights, prerogatives and immunities granted to the incumbent.

ARTICLE XVIII

Consular officers, nationals of the State by which they are appointed, may, within their respective consular districts, address the authorities, National, State, Provincial or Municipal, for the purpose of protecting their countrymen in the enjoyment of their rights accruing by treaty or otherwise. Complaint may be made for the infraction of those rights. Failure upon the part of the proper authorities to grant redress or to accord protection may justify interposition through the diplomatic channel, and in the absence of a diplomatic representative, a consul general or the consular officer stationed at the capital may apply directly to the government of the country.

ARTICLE XIX

Consular officers may, in pursuance of the laws of their own country, take, at any appropriate place within their respective districts, the depositions of any occupants of vessels of their own country, or of any national of, or of any person having permanent residence within the territories of, their own country. Such officers may draw up, attest, certify and authenticate unilateral acts, deeds, and testamentary dispositions of their countrymen, and also contracts to which a countryman is a party. They may draw up, attest, certify and authenticate written instruments of any kind purporting to express or embody the conveyance or encumbrance of property of any kind within the territory of the State by which such officers are appointed, and unilateral acts, deeds, testamentary dispositions and contracts relating to property situated, or business to be transacted within, the territories of the State by which they are appointed, embracing unilateral acts, deeds, testamentary dispositions or agreements executed solely by nationals of the State within which such officers exercise their functions.

Instruments and documents thus executed and copies and translations thereof, when duly authenticated under his official seal by the consular officer shall be received as evidence in the territories of the Contracting Parties as original documents or authenticated copies, as the case may be, and shall have the same force and effect as if drawn by and executed before a notary or other public officer duly authorized in the country by which the consular officer was appointed; provided, always that such documents shall have been drawn and executed in conformity to the laws and regulations of the country where they are designed to take effect.

ARTICLE XX

In case of the death of a national of either High Contracting Party in the territory of the other without having in the territory of his decease any known heirs or testamentary executors by him appointed, the competent local authorities shall at once inform the nearest consular officer of the State of which the deceased was a national of the fact of his death, in order that necessary information may be forwarded to the parties interested.

In case of the death of a national of either of the High Contracting Parties without will or testament, in the territory of the other High Contracting Party, the consular officer of the State of which the deceased was a national and within whose district the deceased made his home at the time of death, shall, so far as the laws of the country permit and pending the appointment of an administrator and until

letters of administration have been granted, be deemed qualified to take charge of the property left by the decedent for the preservation and protection of the same. Such consular officer shall have the right to be appointed as administrator within the discretion of a tribunal or other agency controlling the administration of estates provided the laws of the place where the estate is administered so permit.

Whenever a consular officer accepts the office of administrator of the estate of a deceased countryman, he subjects himself as such to the jurisdiction of the tribunal or other agency making the appointment for all necessary purposes to the same extent as a national of the country where he was appointed.

ARTICLE XXI

A consular officer of either High Contracting Party may in behalf of his non-resident countrymen receipt for their distributive shares derived from estates in process of probate or accruing under the provisions of so-called Workmen's Compensation Laws or other like statutes provided he remit any funds so received through the appropriate agencies of his Government to the proper distributees, and provided further that he furnish to the authority or agency making distribution through him reasonable evidence of such remission.

ARTICLE XXII

Each of the High Contracting Parties agrees to permit the entry free of all duty and without examination of any kind, of all furniture, equipment and supplies intended for official use in the consular offices of the other, and to extend to such consular officers of the other and their families and suites as are its nationals, the privilege of entry free of duty of their baggage and all other personal property, whether accompanying the officer to his post or imported at any time during his incumbency thereof; provided, nevertheless, that no article, the importation of which is prohibited by the law of either of the High Contracting Parties, may be brought into its territories.

It is understood, however, that this privilege shall not be extended to consular officers who are engaged in any private occupation for gain in the countries to which they are accredited, save with respect to governmental supplies.

ARTICLE XXIII

Subject to any limitation or exception hereinabove set forth, or hereafter to be agreed upon, the territories of the High Contracting Parties to which the provisions of this Treaty extend shall be understood to comprise all areas of land, water, and air over which the

Parties claim and exercise dominion as sovereign thereof, except the Panama Canal Zone.

ARTICLE XXIV

Nothing in the present Treaty shall be construed to limit or restrict in any way the rights, privileges and advantages accorded to the United States or its nationals or to Hungary or its nationals by the treaty between the United States and Hungary establishing friendly relations, concluded August 29, 1921.³

ARTICLE XXV

The present Treaty shall become effective on the thirtieth day following the exchange of ratifications, and shall remain in force for a term of ten years.

If within one year before the expiration of the aforesaid period of ten years neither High Contracting Party notifies to the other an intention of modifying, by change or omission, any of the provisions of any of the articles in this Treaty or of terminating it upon the expiration of the aforesaid period, the Treaty shall remain in full force and effect after the aforesaid period and until one year from such a time as either of the High Contracting Parties shall have notified to the other an intention of modifying or terminating the Treaty.

ARTICLE XXVI

The present Treaty shall be ratified, and the ratifications thereof shall be exchanged at Budapest as soon as possible.

In witness whereof the respective Plenipotentiaries have signed the same and have affixed their seals hereto.

Done in duplicate in the English and Hungarian languages, at Washington, this twenty-fourth day of June, 1925.

[SEAL] FRANK B. KELLOGG

[SEAL] LÁSZLÓ SZÉCHÉNYI

711.642/7a

The Secretary of State to the Hungarian Minister (Széchenyi)

WASHINGTON, June 24, 1925.

SIR: I have the honor to inform you that, in signing this day a treaty of friendship, commerce and consular rights between the United States of America and the Kingdom of Hungary, I understand and anticipate that the consent of the Senate of the United States to the ratification of the treaty will be subject to reservations and understandings to be

³ Malloy, *Treaties*, 1910-1923, vol. III, p. 2693.

set forth in an exchange of notes between the Contracting Parties in connection with the exchange of ratifications so as to make it plain that this condition is understood and accepted by each of them, and that these reservations and understandings shall be in substance to the effect that there be added to Article I of the treaty a statement that nothing contained therein shall be construed to affect existing statutes of either country in relation to the immigration of aliens or the right of either country to enact such statutes and also that the sixth paragraph of Article VII of the treaty shall remain in force for twelve months from the date on which the treaty becomes effective, and if not then terminated on ninety days' previous notice shall remain in force until either of the High Contracting Parties shall enact legislation inconsistent therewith when the same shall automatically lapse at the end of sixty days from such enactment, and on such lapse each High Contracting Party shall enjoy all the rights which it would have possessed had such paragraph not been embraced in the treaty.

I should appreciate a communication from you giving assurance that you understand and anticipate that the consent of the Senate of the United States to the ratification of the treaty will be subject to the reservations and understandings substantially as aforesaid.

Accept [etc.]

FRANK B. KELLOGG

711.642/6

The Hungarian Minister (Széchenyi) to the Secretary of State

WASHINGTON, June 24, 1925.

SIR: I have the honor to acknowledge receipt of your note of today informing me that in signing this date a treaty of friendship, commerce and consular rights between the United States of America and the Kingdom of Hungary, you understand and anticipate that the consent of the Senate of the United States to the ratification of the treaty will be subject to reservations and understandings to be set forth in an exchange of notes between the Contracting Parties in connection with the exchange of ratifications so as to make it plain that this condition is understood and accepted by each of them, and that those reservations and understandings shall be in substance to the effect that there be added to Article I of the treaty a statement that nothing contained therein shall be construed to affect existing statutes of either country in relation to the immigration of aliens or the right of either country to enact such statutes, and also that the sixth paragraph of Article VII of the treaty shall remain in force for twelve months from the day on which the treaty becomes effective, and if not then terminated on ninety days' previous notice shall remain in force until either of the High Contracting Parties shall enact legislation inconsistent therewith when the same shall automatically lapse

at the end of sixty days from such enactment, and on such lapse each High Contracting Party shall enjoy all the rights which it would have possessed had such paragraph not been embraced in the treaty.

You state further that you would appreciate a communication from me giving assurance that I understand and anticipate that the consent of the Senate of the United States to the ratification of the treaty will be subject to the reservations and understandings substantially as stated in your note.

In reply I take pleasure in informing you that in signing this day a treaty of friendship, commerce and consular rights between the Kingdom of Hungary and the United States of America, I understand and anticipate that the consent of the Senate of the United States to the ratification of the treaty will be subject to the reservations substantially as stated in your note under acknowledgment.

Accept [etc.]

SZÉCHÉNYI

711.642/26

*The American Minister (Brentano) to the Hungarian Acting Minister of Foreign Affairs (Walkó)*⁴

No. 505

BUDAPEST, September 4, 1926.

EXCELLENCY: As you are aware, at the time of the signature at Washington on June 24, 1925, of the Treaty of Friendship, Commerce and Consular Rights between the United States of America and the Kingdom of Hungary, an exchange of notes was made between the Secretary of State of the United States and the Envoy Extraordinary and Minister Plenipotentiary of Hungary at Washington, in which the understanding was stated and accepted that the ratification of the said Treaty would be subject to reservations and understandings to be set forth in an exchange of notes between the contracting parties in connection with the exchange of ratifications of the said Treaty so as to make it plain that this condition is understood and accepted by each of them, and that these reservations and understandings shall be in substance to the effect that there be added to Article I of the Treaty a statement that nothing contained therein shall be construed to affect existing statutes of either country in relation to the immigration of aliens or the right of either country to enact such statutes, and also that the sixth paragraph of Article VII of the said Treaty shall remain in force for twelve months from the day on which the Treaty becomes effective, and, if not then terminated, on ninety days previous notice shall remain in force until either of the High Contracting Parties shall enact legislation inconsistent therewith, when the same shall

⁴Transmitted to the Department by the Minister in Hungary under covering despatch of the same date; received Sept. 20, 1926.

automatically lapse at the end of sixty days from such enactment, and on such lapse each High Contracting Party shall enjoy all the rights which it would have possessed had such paragraph not been embraced in the Treaty.

Since that date the Senate in fact, when giving its advice and consent to the ratification of this Treaty, did so with the reservations above set forth.

I am, therefore, instructed by my Government in proceeding to the exchange of ratifications of the Treaty aforesaid, to state to Your Excellency that the exchange is made on the condition, understood and accepted by each of the High Contracting Parties, that its ratification of the said Treaty is subject to the reservations and understandings above recited and set forth in an exchange of notes of June 24, 1925, by the Secretary of State of the United States and the Envoy Extraordinary and Minister Plenipotentiary of Hungary at Washington.

You may regard this note as sufficient acceptance by the Government of the United States of these reservations and understandings, and an acknowledgment of this note on the occasion of the exchange of ratifications, accepting, by direction and on behalf of the Government of Hungary, the said reservations and understandings will be considered by the Government of the United States as completing the required exchange of notes and the acceptance by both Governments of the reservations and understandings.

I avail myself [etc.]

THEODORE BRENTANO

711.642/26

The Hungarian Acting Minister of Foreign Affairs (Walkó) to the American Minister (Brentano) ⁵

[Translation]

71.515/5-1926

BUDAPEST, September 4, 1926.

MR. MINISTER: On the basis of the high authorization of August 28, this year of His Serene Highness the Governor, I have the honor to advise Your Excellency that the Royal Hungarian Government accepts on its part the reservations and understandings contained in your esteemed note of September 4, this year, concerning Article I, and further paragraph six of Article VII of the Treaty of Friendship, Commerce and Consular Rights concluded with the United States of America, at Washington on June 24, 1925.

Please accept [etc.]

WALKÓ

⁵ Transmitted to the Department by the Minister in Hungary under covering despatch of the same date; received Sept. 20, 1926.

ITALY

OBJECTION BY THE DEPARTMENT OF STATE TO PRIVATE LOANS TO ITALY PENDING SETTLEMENT OF ITALIAN DEBTS TO THE UNITED STATES GOVERNMENT¹

865.51/446

Mr. Thomas W. Lamont of J. P. Morgan & Co. to the Secretary of State

NEW YORK, *May 26, 1925.*

[Received May 27.]

DEAR MR. SECRETARY: AS I explained to you over the telephone this noon I found when I returned to my desk this morning that a cable had just arrived from Rome transmitting a request from our correspondents there, the Bank of Italy, that we should kindly arrange for them the banking credit of \$50,000,000 which I discussed tentatively when I was in Rome early last month.

For your exceedingly confidential information, the Bank of Italy, together with the Bank of Naples and the Bank of Sicily, (being the other two leading banks in Italy) are joining in arranging this credit with their friendly banking correspondents in America. The term of the credit will be for six months, with an option of renewal for a further period of six months. These banks together will engage in case the credit is not otherwise discharged at maturity, to ship gold to discharge the credit. The Government undertakes to grant authorization for such shipment of gold, if it should prove necessary, and, as a matter of good faith, will undertake to guarantee the credit.

The Bank of Italy explains that with the tendency of Italian exchange rather weak it deems it prudent to arrange this banking reserve looking forward to legitimate stabilization of the lira, although it is opposed to the policy of the Bank to attempt any appreciation of the lira through artificial means.

While, as explained to you, Mr. Mellon and Mr. Hoover, we regard this as a banking matter and so very different from any foreign government loan issued in this market; nevertheless, we are happy as we wrote you some time ago to keep you informed as to any considerable banking transaction of this kind. We plan to proceed with our ar-

¹ For correspondence concerning the refunding of Italian indebtedness to the United States, see vol. I, pp. 162 ff.

rangements in the matter promptly, and I shall take the liberty of telephoning you some time tomorrow to ascertain whether the information above recited is sufficient for your purposes.

With great respect [etc.]

THOMAS W. LAMONT

865.51/446

The Secretary of State to Mr. Thomas W. Lamont of J. P. Morgan & Co.

WASHINGTON, *May 29, 1925.*

MY DEAR MR. LAMONT: I beg to acknowledge the receipt of your letter of May 26, 1925, in which you were good enough to inform me, in confirmation of telephone advices, in regard to the proposed banking credit of \$50,000,000 to Italian banks for a term of six months, with an option of renewal for a further like period. I note that it is expected that the Italian Government would undertake to guarantee the credit, and I note further your observations to the effect that this is a banking credit rather than a public flotation of a Government loan.

In the circumstances I desire to say that while this Department expresses no opinion concerning the transaction in question, it could not withhold objection to a public flotation of Italian bonds or an extension of credit to the Italian Government to take up the credit in question or for other purposes, unless, in the meantime, the Italian Government had taken suitable steps looking toward the settlement or refunding of its indebtedness to the Government of the United States.

Very sincerely yours,

FRANK B. KELLOGG

865.51/448 : Telegram

The Ambassador in Italy (Fletcher) to the Secretary of State

[Paraphrase]

ROME, *June 2, 1925—11 a. m.*

[Received June 2—7:56 a. m.]

85. Banking credit contract for 50 million dollars referred to in Department's telegram No. 63 of May 29, 7 p. m.,^{1a} was signed last night, and the transaction will be publicly announced to the Parliament by the Minister of Finance this afternoon.

FLETCHER

^{1a} Not printed.

800.51 W 89 Italy/41: Telegram

The Secretary of State to the Ambassador in Italy (Fletcher)

[Paraphrase]

WASHINGTON, August 19, 1925—2 p. m.

101. (1) On August 4 the Italian Ambassador spoke with me regarding a *note verbale* which he had handed to me a short time ago^{1b} and which detailed at considerable length Italian financial difficulties. He gave me at the same time the substance of messages received from Mussolini expressing a desire to borrow money in this country for industrial development and stabilization of the Italian exchange. Answering his inquiry about the attitude of the United States Government toward such loans, I stated that the position of this Government had not changed; that the informal Italian proposal of which an outline was supplied in the Department's telegram No. 81, July 1,² did not contain a basis for negotiations, as I had already told him; and that we could not view financing of this sort with favor until the Italian Government made a suitable debt-funding proposal. The Ambassador intimated also that when he returned from Italy, possibly in September, an Italian commission would be able to undertake negotiations.

(2) The Department of State has been consulted about projected loans to the Italian State Railways and to the cities of Naples and Rome, and the reply has been that this financing could not be regarded favorably while the Government of Italy had not taken suitable steps toward a debt settlement.

(3) This material is strictly confidential and for your personal information only. It is not desired that you take any action in this regard at the present time.

KELLOGG

865.51/457

The Secretary of State to the Ambassador in Italy (Fletcher)

No. 352

WASHINGTON, August 21, 1925.

SIR: On July 31 Mr. Thomas W. Lamont, of J. P. Morgan and Company, telephoned to me saying that he understood that Blair and Company were negotiating to loan twenty-five million dollars to the Italian State Railways and that he would like to know, for his own information, what would be the attitude of this Government. I told

^{1b} *Note verbale* dated July 27; not printed.² Not printed.

him confidentially that the Italian Ambassador had called on me and left a Memorandum³ which stated in substance that his government would like to know what would be the attitude of the State Department if the Italian Government should seek to make further loans in New York. He stated that they contemplated making a loan with Morgan and Company and the Chase National Bank. I informed Mr. Lamont that I had told the Italian Ambassador that I did not think the Government could look with favor on such loans so long as the Italian Government had only made an offer which, as it was perfectly aware, we could not even consider as a basis of discussion for a settlement. Mr. Lamont stated that his firm was not negotiating a loan with the government and that their attitude was that until Italy had done more than she had at present, they would not consider the subject of a loan and that he had so informed the Italian Ambassador. He said the Italian Ambassador replied he was aware that the offer they made would not be acceptable to the United States. I told Mr. Lamont that they should not then have made such an offer. Furthermore, I said that so far as Blair and Company negotiations were concerned, we would consider the loan to the Italian State Railways in exactly the same position as a loan to the government and that I had told the Italian Ambassador I would see Mr. Mellon on Monday and answer his note, but that my attitude was as I have expressed it.

I am [etc.]

FRANK B. KELLOGG

800.51 W 89 Italy/48 : Telegram

The Ambassador in Italy (Fletcher) to the Secretary of State

[Paraphrase]

ROME, August 31, 1925—4 p. m.

[Received 5:15 p. m.]

132. Referring to Department's telegram 101, August 19, 2 p. m. Representative of banking firm of Blair & Co. is here carrying on negotiations for the floating in New York of at least 10 million dollar bond issue to finance hydroelectric and industrial enterprises in Italy. He seems to have the impression that the State Department will not object to floating the loan at this time, and I have therefore suggested that the firm consult the Department before proceeding further. It is probable that they will do so in the next few days.

FLETCHER

³ Probably refers to *note verbale* of July 27; not printed.

800.51 W 89 Italy/48

The Acting Secretary of State to Blair & Co., Incorporated

WASHINGTON, September 1, 1925.

SIR: In confirmation of Mr. Young's⁴ statement to Mr. Sheldon⁵ on August 31, in response to Mr. Sheldon's inquiry concerning the attitude of the Department of State in regard to the flotation of Italian industrial securities in the United States, I beg to say that this Department would not view such financing with favor at the present time.

I am [etc.]

JOSEPH C. GREW

800.51 W 89 Italy/48: Telegram

The Acting Secretary of State to the Ambassador in Italy (Fletcher)

[Paraphrase]

WASHINGTON, September 1, 1925—4 p. m.

106. Your telegram 132, August 31, 4 p. m. The State Department has informed the bankers that it would not view this financing favorably at the present time.

GREW

865.51/471

J. P. Morgan & Co. to the Secretary of State

NEW YORK, November 18, 1925.

[Received November 20.]

SIR: This is to confirm the information conveyed to you over the telephone by Mr. Lamont on the 17th instant, to the effect that we have been carrying on discussions with Count Volpi, the Italian Minister of Finance, in regard to the issuance in the near future of a loan of \$100,000,000. for his government; the proceeds of such loan to be used for stabilization purposes. The contract covering this operation was executed to-day, the 18th, and while we are aware, as the Secretary stated, that the Department of State interposes no objection to this operation, we desire to file this letter with you for the record, and if you please, to receive in due course your acknowledgment of same.⁶

Very truly yours,

J. P. MORGAN & Co.

⁴ Arthur N. Young, Economic Adviser, Department of State.

⁵ Representative of Blair & Co.

⁶ The agreement for settlement of the Italian debt was reached at Washington, Nov. 14, 1925. For negotiations and text of the agreement, see *Combined Annual Reports of the World War Foreign Debt Commission, 1922-1926* (Washington, Government Printing Office, 1927), pp. 217-241.

865.51/471

The Secretary of State to J. P. Morgan & Co.

WASHINGTON, November 23, 1925.

SIRS: I beg to acknowledge the receipt of your letter of November 18, 1925, regarding your interest in a loan of \$100,000,000 to the Government of Italy for stabilization purposes, and to confirm the statement made over the telephone to the effect that in the light of the information before it, the Department of State offers no objection to the flotation of this issue in the American market.

You of course appreciate that, as pointed out in the Department's announcement of March 3, 1922,⁷ the Department of State does not pass upon the merits of foreign loans as business propositions nor assume any responsibility in connection with such transactions, also that no reference to the attitude of this Government should be made in any prospectus or otherwise.

I am [etc.]

For the Secretary of State:

LELAND HARRISON

Assistant Secretary

**EXPULSION FROM ITALY OF GEORGE SELDES, CORRESPONDENT OF
THE "CHICAGO TRIBUNE"**

811.91265/9 : Telegram

The Ambassador in Italy (Fletcher) to the Secretary of State

[Paraphrase]

ROME, July 22, 1925—5 p. m.

[Received July 22—2:42 p. m.]

119. A note has been received from the Under Secretary for Foreign Affairs, which states that on account of reports contained in recent telegraphic news despatches sent to the *Chicago Tribune* by George Seldes, *Tribune* correspondent at Rome, he is to be considered *persona non grata* in Italy, and I am requested to inform him that it is considered inadvisable for him to remain here. I have given him this message. Five other correspondents of American newspapers have asked me to request for them an audience with the Under Secretary for a discussion of the situation.

FLETCHER

⁷ *Foreign Relations*, 1922, vol. I, p. 557.

811.91265/9 : Telegram

The Secretary of State to the Ambassador in Italy (Fletcher)

WASHINGTON, July 25, 1925—1 p. m.

91. Your 119, July 22, 5 p. m. *Chicago Tribune* has informed Department that it has reason to fear that Mr. George Seldes' life or physical safety is imperilled in connection with his threatened expulsion or deportation from Rome.

You should urge the Foreign Office to delay action in the case until a thorough investigation has been made, and express the hope that no violent measures may be resorted to for which the Italian Government might be held responsible.

KELLOGG

811.91265/12 : Telegram

The Ambassador in Italy (Fletcher) to the Secretary of State

[Paraphrase]

ROME, July 27, 1925—4 p. m.

[Received July 27—1:05 p. m.]

121. Embassy's telegram No. 119 of July 22, 5 p. m. I have taken up Seldes case with the Foreign Office and as Italian Government has decided definitely that he must leave, I have arranged that 10 days from July 25 be given him to prepare for his departure. Should he fail to leave within specified time, he will be expelled. I have communicated this to Seldes, who states that he wishes to have from the police or some governmental agency a written notice to depart, upon receipt of which he will go. The chief of the press section of the Foreign Office stated today that he would be given this notice.

Seldes wishes a document in writing which he may be able to use in writing up his expulsion from Italy. I anticipate no violent measures as matters now stand.

FLETCHER

811.91265/13

The Ambassador in Italy (Fletcher) to the Secretary of State

No. 542

ROME, July 28, 1925.

[Received August 10.]

SIR: With reference to my telegram No. 119 of July 22, 5 p. m. and No. 121 of July 27, 4 p. m., and to the Department's No. 91 of July 25, 1 p. m., concerning the expulsion by the Italian Government of Mr. George Seldes, correspondent of the *Chicago Tribune*, I have the honor to report as follows:

On June 4th last the Undersecretary of State for Foreign Affairs, Mr. Grandi, addressed a personal letter to me, the translation of which is herewith enclosed,⁸ stating that Mr. Seldes had sent to his paper on the previous evening a telegram, a copy of which was enclosed⁹ which the Italian Government considered as being of an alarmist nature. The letter added that while the Italian Government wished the foreign correspondents to enjoy all freedom of action, it considered it a duty to urge against sending unnecessarily alarmist reports. The report of Mr. Seldes above referred to was a summing up of events attendant upon the killing of Matteotti¹⁰ and stating that matters would reach a crisis on June 10th, the first anniversary of the assassination. His report further stated that all Italy was excited, that a clash was expected and that many wondered whether Parliament would be a scene of bloodshed.

The substance of this letter was made known to Mr. Seldes who promptly addressed a letter of explanation to Mr. Grandi, thereby temporarily relieving the Embassy of further action in the matter.

On July 18th, however, I received a second and far more drastic communication from the Undersecretary for Foreign Affairs, stating that in view of certain recent telegrams sent by Mr. Seldes to his paper he could no longer be considered as *persona grata* in Italy. He therefore requested that I so inform Mr. Seldes, in order that he might understand the situation and leave without a definite writ of expulsion being served on him by the police. A translation of Mr. Grandi's letter together with Mr. Seldes reports which were objected to are herewith enclosed.¹¹

Acting upon this letter from Mr. Grandi, I immediately sent for Mr. Seldes and communicated the contents of the letter, furnishing him with a copy of it. Mr. Seldes accepted the decision with little comment but on leaving my office he conferred with his colleagues of the American Press who, shortly after in a jointly signed note to me, requested that I make an appointment for them to meet Mr. Grandi.

At my next visit to the Foreign Office I made this request of Mr. Grandi, and was informed by him that he was willing to receive the American correspondents provided they made no protest concerning the expulsion of Mr. Seldes. He explained further that his purpose in writing to me concerning Mr. Seldes was to have me convey to him a hint that he was no longer *persona grata* and that he should leave Italy, thus relieving the Italian Government of the necessity of taking more drastic measures. I replied that if the Italian Gov-

⁸ Not printed.

⁹ Not enclosed with the despatch.

¹⁰ Opposition deputy alleged to have been murdered by Fascists in June 1924.

¹¹ Not printed.

ernment had definitely decided upon the expulsion of Mr. Seldes, I would again inform him. I urged, however, that he should be given time to make proper arrangements for his departure, to which Mr. Grandi agreed, stipulating that he would be given ten days from the 25th of July, but that if he had not left Italy by that time the Italian Government would be compelled to adopt other measures.

On the day following my interview with Mr. Grandi, he received the American Press correspondents. I have been given no report of this meeting but no change of purpose as regards Mr. Seldes' expulsion was made known. I therefore again informed Mr. Seldes that he must prepare to go, which he agreed to do. He said, however, that he would like to have a definite order or request to leave which he could show to his Chief. Accordingly, this request was made today by a member of the Embassy staff to the Chief of the Press Section of the Foreign Office, who stated that a written document would be given to Mr. Seldes.

Mr. Seldes has today informed me that he proposes to leave Italy on July 29th for Paris, en route to Vienna where he has been transferred by his paper.

I have [etc.]

HENRY P. FLETCHER

LIBERIA

NEGOTIATIONS CONCERNING THE FIRESTONE RUBBER CONCESSION AND FINANCE CORPORATION OF AMERICA LOAN

882.6176 F 51/75

*The Chief of the Division of Western European Affairs (Castle) to
the Secretary of State*

WASHINGTON, April 8, 1924.

THE SECRETARY: I had a talk late yesterday afternoon with Mr. Hines, Secretary of the Firestone Company.

He tells me that the reports brought by their agents from Liberia are very optimistic and that Mr. Firestone, unless something unforeseen occurs, is planning within the next two months to draw up a suggestion for a substantial loan [and] to make a proposition to the Liberian Government. His aim is to use this money so far as possible to build up the country in the way it was planned to do under the old government loan.¹

W. R. C[ASTLE,] JR.

882.6176 F 51/207

*Mr. W. D. Hines to the Liberian Secretary of State (Barclay)*²

MONROVIA, June 5, 1924.

EXCELLENCY: I have the honour to submit to you for the consideration of the Government of the Republic of Liberia the enclosed Proposals³ on behalf of Mr. Harvey S. Firestone of Akron, Ohio, U. S. A. for the leasing of land and establishment of certain public improvements.

In respectfully requesting your consideration of these proposals I beg permission to state that they represent a most sound and equitable basis for the establishment of a large and successful rubber growing industry in the Republic of Liberia.

With expressions [etc.]

W. D. HINES

¹ For correspondence concerning the proposed Government loan, see *Foreign Relations*, 1920, vol. III, pp. 49 ff.; 1921, vol. II, pp. 363 ff.; and 1922, vol. II, pp. 606 ff.

² The text of this letter and the texts of the four letters which immediately follow are printed from *Firestone Proposals: Correspondence and Draft Agreements* [Monrovia, n. d.], a copy of which was enclosed with despatch No. 348, Mar. 13, 1926, from the Chargé in Liberia.

³ Not printed.

882.6176 F 51/207

The Liberian Secretary of State (Barclay) to Mr. W. D. Hines

471-L

[MONROVIA,] *June 18, 1924.*

SIR: I have the honour to forward you herewith drafts of the formal Agreements⁴ covering the proposals of your Principals which we have discussed.

It is to be hoped that you will find them in accord with the understandings reached at our last conference. Should they appear to you in any particular to depart from those understandings, I would be grateful if you would so advise me.

In case the Agreements meet your approval, be so good as to initial and return them.

I have [etc.]

EDWIN BARCLAY

882.6176 F 51/207

*Mr. W. D. Hines to the Liberian Secretary of State (Barclay)*MONROVIA, *June 19, 1924.*

EXCELLENCY: I have the honour to address you and acknowledge receipt of your communication of June 18th. I desire to express our appreciation of your courtesy in this matter and in compliance therewith I respectfully submit some minor changes which I feel would make the Agreements more acceptable to my Principals in accordance with my general instructions.

Realising the time conditions under which the final document was prepared, I desire to call attention to one subject which I understood was agreed upon in our conference of June 16th but to which no reference is made in the document at hand namely:

Provision for the Lessee to engage in such other agricultural pursuits, i. e., foodstuffs and the like which will enable him to effectively and efficiently operate his property.

Also the provision that the Lessee will be entitled to the opportunity to engage in any other operations upon his holdings under the same terms and conditions granted any other individual or corporation and under the laws and statutes of the Republic of Liberia. As we pointed out we desired this as protection from any possible future outside interference.

It would also be much appreciated if you would consider the matter of qualifying the road building clauses as regards routes and specifications so that they would not be taken to provide for any routes

⁴Not printed in the publication (see footnote 2 *supra*) in which this letter appears. For a later draft of these agreements, see the enclosures to Secretary Barclay's letter No. 476-L of June 19, 1924, p. 369.

that would be ineffective for our use and place a limit upon the amount necessary to expend per mile.

We also request consideration of the insertion of clauses exempting our properties from any taxes other than those specified and for exemption of our lines of communications from taxation while they are being used by us and in view of the fact we have made provision for their public use at all times.

I also beg leave to submit for your consideration a provision in the Harbour Agreement to the effect that the cost of maintenance and repairs shall not be deducted from the Port and Harbour dues thus assigned when such dues fall below a certain minimum figure. This figure could be determined later. We respectfully submit that such a provision would be required by our Principals in order to determine the amortization of their investment.

In view of the shortness of time, I beg leave to inform you that if such additional provisions as I have suggested are agreeable to the Government they might be placed in the form of an addenda [*sic*] to the document already submitted and could be incorporated later in the final Agreement. If satisfactory to the Government and Your Excellency this would be satisfactory to us.

With expressions of esteem and appreciation, I would appreciate the privilege of discussing these suggestions in case you desire further explanation of them.

I have [etc.]

W. D. HINES

882.6176 F 51/207

The Liberian Secretary of State (Barclay) to Mr. W. D. Hines

476-L

[MONROVIA,] June 19, 1924.

SIR: I have the honour of forwarding to you herewith the draft Agreements amended in accordance with the suggestions made in your communication of today's date. I wish to apologise for my inadvertence in omitting the points to which you call attention.

In view of your contemplated early departure may I ask that you advise me as soon as possible today whether or not the documents now sent accord with understandings which have been reached by us?

It is understood, of course, that these Agreements are subject to the approval of the Legislature of the Republic of Liberia, and that the provisions of Article III paragraph (*d*) and Article IV paragraph (*j*) of Agreement number Two are applicable also to Agreement number One Article III paragraphs (*b*) and (*c*) in respect of lines of communication established outside the confines of the lands held by Lessee and vice versa.

I have [etc.]

EDWIN BARCLAY

[Enclosure 1]

Draft Agreement Number 1 Between the Government of Liberia and Harvey S. Firestone Concerning the Lease of Mount Barclay Rubber Plantation

MEMORANDUM OF AGREEMENT (Styled Agreement Number One) made and entered into this day of June in the Year of Our Lord Nineteen Hundred and Twenty-four by and between the Government of the Republic of Liberia represented by Edwin Barclay Secretary of State of the said Republic hereinafter styled the Government of the first part and Harvey S. Firestone a citizen of the United States of America residence at in the state of United States of America represented by William D. Hines hereinafter styled the Lessee of the other part
WITNESSETH:—

ARTICLE I

That whereas the said Lessee for the purpose of experimentation in the productivity of the soil and the costs of producing rubber on an extended scale in the Republic of Liberia has applied for a lease of the Rubber Plantation known as the Mount Barclay Rubber Plantation situated in the Township of Johnsonsville County of Montserado and Republic of Liberia.

The Government for and in consideration of the sum of One Dollar (\$1.00) gold per acre per annum and other covenants hereinafter stipulated to be kept observed and performed by the Lessee hath agreed to let and by these presents doth grant demise and to farm-let unto the Lessee all that parcel of land situated as aforesaid and containing acres of land bounded and described as follows:—

(Here set out boundaries)

To HAVE AND TO HOLD the above mentioned and described premises with the buildings which are now or which may hereafter be placed thereon and the appurtenances thereunto appertaining unto the Lessee from the day of June Nineteen Hundred and Twenty-four for the full end and term of one year thence next ensuing and fully to be completed and ended the said Lessee yielding and paying therefor unto the Government upon the ensembling of these presents the rent of One Dollar gold per acre per annum money current in the Republic of Liberia.

ARTICLE II

And the Lessee doth covenant hereby to and with the Government that

(a) For the purposes hereinbefore specified he will take the premises hereby demised and that he will pay or cause to be paid the yearly rent above reserved on the day in the manner prescribed and that on the last day of said term or any sooner determination of the estate hereby granted the Lessee shall and will quietly leave and surrender up unto the Government all and singular the said demised premises.

(b) And the Lessee doth further covenant and agree to furnish the Government from time to time with full reports of the scientific and technical results of the experiments carried by the Lessee at said Plantation.

(c) That he will not import unskilled labour for the carrying out of any operations of developments undertaken upon the Plantation hereby demised to him except in the event the local labour supply prove inadequate to the Lessee's needs.

(d) That in the event the local supply prove inadequate as aforesaid Lessee undertakes and agrees to import only such foreign labour to supply the local deficiency as may be acceptable to the Government.

(e) That he in addition to the rents above reserved will pay to the Government a revenue tax of two and one-half ($2\frac{1}{2}$) per centum on the value of all products of the Plantation calculated at the New York market prices prevailing at the date of sale provided however that should the Lessee construct any roadways or other lines of communication in accordance with Government specification as to routes and type of road the revenue tax shall in consideration of the public utility thus established by Lessee be reduced to one and one-half ($1\frac{1}{2}$) per centum on the value of products as aforesaid for a period of Twenty (20) years next ensuing after the initiation of such works.

(f) That the Lessee will come to an arrangement with the Treasury Department of Liberia with respect to the collection and payment of the poll tax payable by persons carried on his pay-rolls.

(g) That in the case of emergency declared to be such by the Government the said Government shall be entitled to the use of his lines of communication such as telegraph telephones and wireless established outside or within the limits of the plantation.

(h) That at the expiration of the one year lease granted by these presents he will renew said lease for the period of Ninety-nine years in consideration of annual rent of Six Thousand Dollars gold payable in advance annually and the two and one-half ($2\frac{1}{2}$) per cent revenue tax hereinbefore reserved.

ARTICLE III

And the Government doth covenant and agree by these presents that the Lessee paying and yielding the yearly rents above reserved

and performing the covenants and agreements aforesaid on his part stipulated to be performed.

(a) Shall and may at all time during the term hereby granted peaceably and quietly have hold and enjoy the said demised premises without any let suit trouble or hindrance from the Government or any person or persons whomsoever.

(b) Shall have the right at his own proper charge and expense to establish lines of communication such as roads and highways outside the limits of the Plantation provided that such public highways as now exist or are in course of construction through the Plantation be not closed by Lessee but shall remain open to the free and unobstructed use of the public.

(c) Shall be exempt from the payment of any revenue tax on the products of the Plantation saving the (2½) two and one-half per cent revenue tax above reserved.

(d) Shall be exempt from the payment of any customs duty on all machinery tools and technical supplies the property of Lessee necessary to the operation and development of said property except where Customs duty is under existing laws or financial arrangements now levied upon such articles.

(e) That lines of communication such as telegraph telephones and wireless established by Lessee outside the limits of the plantation shall remain the property of Lessee subject as aforesaid to the use of the Government in case of emergency—provided they be operated under conditions prescribed by the Government.

(f) That at the expiration of the year lease hereby granted the Lessee shall have the right to renew the lease of the Mount Barclay Rubber Plantation for a period of Ninety-nine years provided however that should Lessee exercise his option for renewing the lease of said plantation the rent therefor in that event shall in addition to the other covenants hereinbefore stipulated by him to be observed and performed be Six Thousand Dollars gold per annum payable annually and every year in advance and provided further that in the event of a renewal of said lease should the rent above reserved or any part thereof be behind or unpaid on any day of payment whereon the same ought to be paid as aforesaid or if default should be made in any of the covenants hereinbefore contained on the part of the Lessee to be paid kept and performed then and from thence forth it shall and may be lawful for the Government into and upon the said demised premises and every part thereof wholly to reenter and the same to have again repossess and enjoy as in the Government's former estate anything herein to the contrary hereof in anywise notwithstanding.

ARTICLE IV

(a) It is understood or agreed by both parties hereto that in the event the lease of the Mount Barclay Rubber Plantation be renewed for a period of Ninety-nine years should operation thereon cease for a period of three consecutive years the rights of Lessee thereto and therein shall become extinguished and void anything herein to the contrary hereof in anywise notwithstanding.

(b) It is further understood and agreed that upon the land held under this agreement the Lessee may engage in any operation other than agricultural under the pertinent provisions of the laws of Liberia or upon such special terms as may be agreed upon by both parties hereto.

(c) It is further understood and agreed by the parties hereto that at the expiry of the lease hereby granted or any sooner determination thereof all and singular the buildings improvements and appurtenances made erected constructed on the plantation or appertaining thereto shall revert to and become the property of the Government of Liberia without charge cost or condition.

IN WITNESS WHEREOF the parties hereto have hereunto set their hands and seals to this Agreement in duplicate the year and day above written.

For the Government of Liberia

.

Secretary of State

For Harvey S. Firestone

.

[Enclosure 2]

Draft Agreement Number 2 Between the Government of Liberia and Harvey S. Firestone Concerning the Lease of One Million Acres for the Development of Rubber Growing

MEMORANDUM OF AGREEMENT (Styled Agreement Number Two) made and entered into at the City of Monrovia Republic of Liberia this day of June in the Year of Our Lord Nineteen Hundred and Twenty-four by and between the Government of the Republic of Liberia represented by Edwin Barclay Secretary of State of said Republic hereinafter styled the Government and Harvey S. Firestone a citizen of the United States of America resident at in the State of of the United States aforesaid represented by William D. Hines hereinafter styled the Lessee WITNESSETH :—

ARTICLE I

That the Government hath agreed and by these presents doth agree to grant demise and to farm-let unto the Lessee for the period of Ninety-nine years an area of land within the boundaries of the Republic of Liberia suitable for the production of rubber and other agricultural products not to exceed one million acres to be selected by Lessee from time to time within said period of Ninety-nine years and terminable as to all lands selected at the expiry of said term upon the considerations hereinafter set forth to be kept observed and performed by Lessee provided however that should the Lessee neglect within a period of six months from the date of these presents

(a) To notify the Government of his acceptance of the conditions herein contained and stipulated

(b) Within one year thereafter to commence the selection of lands Then in such cases the obligation of the Government under this Agreement shall to all intents and purposes be discharged and ended.

ARTICLE II

And the Lessee hath agreed and by these presents doth agree

(a) To notify the Government within a period of six months of his acceptance of the conditions and stipulations of this Agreement.

(b) Within one year after the signing of this Agreement to select from year to year lands suitable for the production of rubber and other agricultural products in such areas or quantities within the maximum limit of one million acres of land as may be convenient to him and in accord with the economic progressive development of his holdings.

(c) As and when he takes possession of lands selected by him as aforesaid to pay to the Government in respect thereof rent during the first six years after the date of the Agreement rent at the rate of five (5) cents gold per acre and thereafter at the rate of ten (10) cents gold per acre yearly and every year in advance.

(d) Six years after the date of this Agreement and annually thereafter subject to the provisions of Article IV paragraph (a) hereof to pay to the Government a revenue tax equivalent to two and one-half per centum of the value of all products of his plantations calculated on the price for such products prevailing in the New York market at the time of sale.

(e) To come to an arrangement with the Treasury Department of Liberia in respect of the collection and payment of poll taxes payable by persons who may be carried on his pay-roll.

ARTICLE III

The Government agrees that the Lessee shall have and enjoy during the life this Agreement the following additional rights and exemptions:

(a) All products of Lessee's plantations and all machinery tools technical supplies and buildings established constructed and erected for the effective and efficient operation and development of his land-holdings shall be free of and exempt from any internal revenue tax saving the revenue tax provided for in Article II paragraph (d).

It is understood and agreed by both parties to these presents that this exemption shall not apply to Lessee's employees labourers or servants.

(b) All machinery tools and technical supplies purchased and imported for the effective and efficient operation and development of the lands held by Lessee under this Agreement shall be exempt from customs dues except where customs duty is now levied upon such articles under existing laws and by virtue of financial arrangements.

(c) Lessee shall have the exclusive right and privilege upon the lands covered by this Agreement to construct highways railways and waterways for the efficient operation and development of the properties. It is understood and agreed by both parties to these presents that all roads constructed by Lessee under this grant and trails used immemorially by the population shall be subject and open to free use by the public.

(d) To construct and establish at his own proper charge and expense lines of communication such as highways and roadways outside the confines of the lands held under this Agreement subject to concurrence with the Government as to type of road and routes it being understood and agreed always that the routes established and constructed by Lessee shall be effective for the purposes of Lessee and subject further to the provisions of Article IV (b) hereof. These roads shall upon completion become public property.

(e) To construct and establish lines of communication such as telegraph telephones and wireless outside the confines of lands held under this Agreement upon the conditions and terms set forth in Agreement I Article III paragraph (e) and subject to the provisions of Article IV paragraph (j) of this Agreement.

(f) To engage in the sale of lumber the product of timber growing upon lands covered by this Agreement as a commercial product provided the Government be paid a royalty of five (5) cents gold per cubic foot sold.

(g) Upon the lands held under this Agreement to engage in any operations other than agricultural under the pertinent provisions

of the laws of the Republic of Liberia or upon such special terms as may be agreed upon by the parties hereto.

ARTICLE IV

It is understood and agreed by both parties to the Agreement that—

(a) In respect of the stipulations of Article II paragraph (d) that in the event the New York price of rubber falls below fifteen (15) cents per pound avoirdupois and during the period it remains below that price the revenue tax of 2½% reserved to be paid the Government by Lessee shall automatically be suspended in respect of the rubber produced from Lessee's plantations.

(b) In respect of the stipulation of Article III paragraph (d) should the Lessee undertake the construction of the lines of communication contemplated by that Article and does construct such roadways the revenue tax payable by him under the provision of Article II paragraph (d) shall for the twenty (20) years next following the beginning of road construction and during that period be reduced to one and-half per centum calculated aforesaid.

After the period of twenty years and for the remainder of the life of this Agreement the full rate of two and one-half per cent shall be payable by Lessee to the Government.

(c) That Lessee will not import unskilled foreign labour for the carrying out of any operations or development undertaken in virtue of the grants made in agreements Number 1, 2 and 3 except in the event the local labour supply prove inadequate to the Lessee's needs.

(d) That in the event the local supply prove inadequate as aforesaid Lessee undertakes and agrees to import only such foreign unskilled labour as may be acceptable to the Government of Liberia.

(e) That the rights covered by Agreements Number One and Number Two shall be exercised continuously by Lessee. Should the operations of the Lessee under this Agreement cease for a period of three consecutive years then and in that case all and singular the rights of Lessee hereunder shall thereupon become extinguished and void anything herein contained to the contrary hereof notwithstanding.

(f) None of the rights granted under Agreements No. 1 and No. 2 may be sold transferred or otherwise assigned by the Lessee to any person firm or group or Trust without the written consent thereto of the Liberian Government previously had. Nothing in this paragraph contained shall [be] construed as inhibiting the Lessee from organising subsidiary companies under his control for exploiting the rights hereby granted.

(g) The Government reserves the right to pass its lines [of] communication through any and all plantations owned and operated by Lessee.

(h) The Government agrees upon term and condition favourable to both parties to permit Lessee to develop such natural power hydro-electric etc. as will aid the development of his rights.

(i) Tribal reserves or lands set aside for the communal use of any tribe within the Republic of Liberia are excluded from the operation of this Agreement. Should any question arise as to the limits and extent of such reserves such questions shall be finally determined and settled by the Secretary of Interior on a reference by the Lessee.

(j) Lines of communication such as telegraph telephone and wireless constructed and established outside the confines of the Lessee's plantation shall during the life of this Agreement be exempt from all taxation provided they be used or employed only for purposes connected with the operation of Lessee upon lands held under this Agreement. In the event such lines of communication are used or employed by Lessee for commercial purposes then and in that case they shall be subject to taxation under the pertinent laws of Liberia.

(k) It is further understood and agreed by the parties hereto that at the expiry of the lease hereby granted or any sooner determination thereof all and singular the buildings improvements and appurtenances made erected and constructed on and upon the plantation of the Lessee or appertaining thereto shall revert to and become the property of the Government of Liberia without charge cost or condition.

IN WITNESS WHEREOF the parties hereto have hereunto set their hands and seals the day and year first above written.

For the Government of Liberia

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Secretary of State

For Harvey S. Firestone

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[Enclosure 3]

Draft Agreement Number 3 Between the Government of Liberia and Harvey S. Firestone Concerning the Improvement of the Harbor of Monrovia

MEMORANDUM OF AGREEMENT (Styled Agreement Number Three) made and entered into at the City of Monrovia Republic of Liberia this day of June in the Year of Our Lord A. D. Nineteen Hundred and Twenty-four by and between the Government of the Republic of Liberia represented by Edwin Barclay Secretary of State of the said

Republic hereinafter styled the Government and Harvey S. Firestone a citizen of the United States of America resident at in the State of of the United States aforesaid represented by W. D. Hines hereinafter styled the Lessee WITNESSETH :—

ARTICLE I

That provided the term of Agreement Number one and Agreement Number two be accepted by both parties hereto the Lessee agrees to undertake for and in behalf of the Government of the Republic of Liberia the improvement of the Harbour of Monrovia by constructing the necessary breakwaters providing necessary wharfage and light-erage facilities and to maintain and repair said works if and when requested so to do by the Government.

ARTICLE II

In consideration of the Lessee's undertaking as aforesaid the Government agrees

(a) To repay Lessee the expenditure made by him in this behalf but in no case to exceed in total the sum of \$300,000.00 subject as hereinafter specified.

(b) To place at the disposal of Lessee lands contiguous to the Harbour improvements for obtaining the necessary raw material sufficient to the economic construction of the works.

(c) To assign to Lessee after deducting thereout the cost of maintenance the port and harbour dues now levied or that may be hereafter levied or accruing from the operation of the port until said dues shall have repaid the capital sum expended by Lessee on harbour improvements with interest thereon at six per centum per annum.

(d) In the event the Government requires Lessee to maintain and repair the harbour works the cost of maintenance shall be charged against the Port and Harbour dues which the Government hereby assign to Lessee and Lessee shall be entitled to the proceed[s] of said Port and Harbour dues until the amount expended on repair and maintenance shall have been repaid with interest at six per centum per annum.

ARTICLE III

It is agreed by both parties hereto

(a) That the Government shall at all times have the right to an accounting and an audit of the expenditures made by Lessee on account of Harbour construction maintenance or repair and the Lessee undertakes to grant the Government every facility for this purpose.

(b) That should the revenue accruing from the operation of the Port be or fall below Sixteen thousand dollars per annum the whole

of said revenue without deduction shall be assigned and the Govern- ment hereby assigns said revenues to Lessee.

(c) That the Government may at any time at its option re-imburse the Lessee his expenditures or the outstanding balance thereof on account of construction maintenance or repair in which event the assignment of the Port and Harbour dues made shall become null and void.

IN WITNESS WHEREOF the parties hereto have hereunto set their hands and seals the day and year first above written.

For the Government of the Republic
of Liberia

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Secretary of State

For Harvey S. Firestone

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882.6176 F 51/207

Mr. W. D. Hines to the Liberian Secretary of State (Barclay)

MONROVIA, June 19, 1924.

EXCELLENCY: I have the honour to acknowledge your communi- cation of June 19, 1924 and in so far as my examination of them goes, the Agreements and the letter accompanying them are in accordance with the understandings arrived at in the conferences with His Excel- lency, The President, Your Excellency, Mr. D. A. Ross, Mr. M. A. Cheek ⁵ and myself.

I am now planning to return with them to my Principals in America on Friday and desire to state that all temporary operations which we carry on in the Republic of Liberia as verbally agreed upon prior to the final signatures and proper approval being attached to them will be in charge of Mr. D. A. Ross.

May I be permitted to express to Your Excellency my deep appre- ciation of the courtesy and kindness which has been accorded us. I desire to assure you of our deepest respect and esteem.

I have [etc.]

W. D. HINES

882.6176 F 51/9

Memorandum by the Assistant Secretary of State (Harrison)

[WASHINGTON,] July 8, 1924.

Mr. Amos C. Miller, (address, 39 South LaSalle Street, Chicago, Illinois), Vice President and General Counsel of the Firestone Tire Company, accompanied by Mr. Robinson and Mr. Wierman, called by

⁵ Firestone representatives in Liberia.

appointment to discuss the possibilities of securing a rubber concession in Liberia.

Mr. Miller stated that the Company had had the benefit of several interviews with Dr. De la Rue, Collector of Customs of Liberia, and had given careful consideration to the question of guaranties which would be necessary to protect them in making any large investment in Liberia. It was their desire to secure from Liberia a rubber concession to run for fifty years, with the right of renewal for an additional fifty years, on the basis of a rental of five to ten cents per acre, the Company being given an option for a million acres. The Company would also agree to pay two and a half cents per pound of rubber exported, the revenues from this export tax to be expended for public improvements and betterments in the Republic. The Company would also be prepared to make a loan to the Republic of Liberia through its fiscal agents, say the National City Bank of New York, for 5 million dollars, provided that all the revenues of Liberia were assigned to the service of the loan, and provided further that the Liberian Government should agree to the appointment by the President of the United States of Americans to collect and disburse all these revenues.

The Company had obtained a copy of the loan arrangement signed by representatives of the United States and of Liberia in October, 1921,⁶ and the Company felt that in order properly to protect its proposed concessionary interests and the service of the loan, provisions similar to those set forth in the American-Liberian loan agreement of 1921 should be incorporated in their proposed loan agreement and accepted by the Government of Liberia. The Company now wished to inquire whether the Department would be prepared, if a loan agreement were made on that basis, to appoint the officials in question, and, in a word, to assume the obligations and the duties set forth in the 1921 loan agreement.

I replied that the Department would take the matter under consideration and advise them in due course. Mr. Miller also stated that if it were so desired he would be glad to put their inquiry in writing.

In reply to a number of questions, the Company's representatives furnished the following information: That the site of the proposed rubber plantation would be at least fifteen miles from the coast; that it would be necessary to construct roads and make other public improvements, including a harbor; that possibly thirty thousand laborers would be employed, including a large number of American engineers, and so forth, to handle the proposed developments; that careful sanitation would be necessary, as all forms of tropical diseases were ram-

⁶ *Foreign Relations*, 1921, vol. II, p. 370.

pant, and the average life of the white man in that territory was very short; that the purpose of the Company was to assure themselves an adequate supply of rubber which would be entirely within their own control, and as they would thereby be free from British control of markets they expected strong opposition from foreign quarters; that it was largely for this reason and in order to protect their investment . . . that they considered it necessary to obtain the extensive control contemplated, which would also be a safeguard against the possible failure to obtain adequate protection from this Government. To an inquiry why they did not consider it possible to secure the necessary safeguards through appropriate provisions in their proposed rubber concession, the reply was made that they had in mind the failure of this Government to accord what they considered adequate protection to American investments in Mexico. It was also observed that there was not even the protection of the Monroe Doctrine in Liberia. Reference was made to similar large enterprises, such as the United Fruit Company. While Mr. Miller did not appear to be acquainted with the United Fruit Company's enterprises in the Caribbean, Mr. Robinson evidently had some conception of their extent, but he confirmed Mr. Miller's views respecting the necessity of obtaining some definite control over the administrations of the Republic of Liberia.

Mr. Wierman spoke from personal knowledge of conditions in Liberia, and made it clear that he did not feel that an enterprise of the magnitude and importance of that contemplated could be successfully carried out without guaranties substantially along the lines of those set forth in the agreement of October, 1921. He also stated that the Company had rubber men in Liberia; that their reports were favorable, and that the Company had no doubt that if they were not interfered with they would find it possible to make a success of the production of rubber in Liberia.

RECOMMENDATION

1. That Firestone be informed that the Department will be prepared to recommend to the President the designation of a Financial commission for the Government of Liberia, of a legal counselor and of four officials of military experience to act as the four senior officers of the Frontier Force. However, the Department could not assume other obligations and rights stipulated in the Agreement of 1921.

2. That if it were desired to incorporate the provisions of the 1912 Loan Agreement ⁷ in any new agreement for refunding purposes along the same lines, the Department would be prepared to assume in that event the same obligations as provided in the 1912 Agreement; and

⁷ See *ibid.*, 1912, pp. 667 ff.

3. That the Department, after being informed of the proposed contract and the proposed loan agreement, and in the event that it had no objection thereto, would lend appropriate support to the Company in order that it might have a fair and equal opportunity to carry out its project in Liberia. The Department could not, of course, actually participate in the negotiation of the contracts in question.

882.6176 F 51/5 : Telegram

The General Receiver of Customs of Liberia (De la Rue) to the Chief of the Division of Western European Affairs (Castle)

MONROVIA [undated].

[Received October 29, 1924—9:05 p. m.]

Considering local political and international situation is there any way obtaining from Firestone indication of their decision in time for December legislature? Government without information. Further delay might involve failure decisive action until December 1925. Fear question if asked might be misinterpreted as an official attempt force their decision.

[S. DE LA RUE]

General Receiver

882.6176 F 51/13

Memorandum by the Assistant Chief of the Division of Western European Affairs (Richardson)

[WASHINGTON,] November 13, 1924.

Mr. Hines, who called as a result of a personal note to Mr. Firestone, stated that it was the intention of Mr. Firestone to proceed immediately with the concession for a million acres of land for a rubber plantation in Liberia. For the past several months the Firestone attorneys have been working over the concession and expect to have it in final form in a few days. They intend to submit it to the Department for any comment or advice that the Department may care to give in regard to its terms. Mr. Hines then intends to take the document to Liberia, conclude a final agreement with the Liberian Government and attempt to procure ratification from the Liberian Congress immediately. I asked Mr. Hines whether the Firestone concession was contingent upon an American loan to the Government of Liberia. Mr. Hines replied that, while it had been the original hope of Mr. Firestone to make sure of American financial support for the semi-bankrupt Liberian Government prior to investing heavily in Liberia, he had now decided to go ahead with his concession and take up the loan question subsequently.

Mr. Hines, who is the representative who carried on the original negotiations with the President and Secretary of State of Liberia,⁸ was quite frank in saying that the political fate of Liberia was of the very greatest concern to Mr. Firestone. He pointed out that the establishment of a rubber plantation was a risk of an entirely different sort from an oil or mineral concession. Out of the latter it might be possible to get the capital invested within a few years and then divide the profits with the local government or, if the local government went to pieces and chaotic conditions ensued, no serious net loss of capital might be incurred. In the former, however, everything for the first five years was investment and the proceeds will not begin to appear until after that period of time. Consequently, Mr. Firestone would be gambling with a heavy capital investment in case he had no assurance that the Liberian Government might not go to pieces within the next few years.

Mr. Hines volunteered the information, which has been given the Department before, that Mr. Firestone would be most anxious to have American advisors and administrators appointed for carrying out the provisions of any loan that might be made to Liberia even though the loan were a private one from American bankers.

I suggested to Mr. Hines that the Department was not in a position to discuss the loan phase of the question until some plan for such a loan was put before it.

Mr. Hines stated that the concession plan which Mr. Firestone's attorneys had drawn up has no monopolistic features of any kind and does not provide for the surrender by the Liberian Government of any sovereign rights.

During the course of the interview, Mr. Hines stated that neither Mr. Firestone nor Mr. Ford had yet taken any steps to interest members of Congress or of the Senate in reviving the original loan plan, since they felt that it was better to wait until after the election to discuss this and also in view of the fact that they intend to put the concession through before going after the loan.

My general impression of the Firestone plan of procedure is that he will request the Department to say whether the proposal, as submitted, would entitle the concession to protection as a legitimate American enterprise abroad. If the Department is benevolent on this score, the concession will be put through, but no considerable investment will be made by Mr. Firestone until he is reasonably certain that adequate financial and political safeguards will be pro-

⁸The reference is to negotiations carried on by Mr. Hines with the Liberian Government at Monrovia in June 1924. The draft agreements resulting from these negotiations are printed, pp. 389 ff.

vided to assure the continuation of Liberia as a political entity. Mr. Hines stated that he hoped to submit the concession to us within the next few days.

D[ORSEY] R[ICHARDSON]

882.6176 F 51/4

*Mr. Harvey S. Firestone to the Secretary of State*⁹

AKRON, OHIO, December 10, 1924.

MY DEAR MR. SECRETARY: November 1, 1922 the British Colonial Office restricted the exportation of crude rubber from their colonies (which produce over 70 percent of the world's supply) to 60 percent of the normal supply, and as the United States consumes over 70 percent of the world's supply it was very apparent that it was a serious matter to our commerce, especially highway transportation which is growing so rapidly and is so important to our welfare and prosperity.

I took it upon myself to interest our Government and an appropriation was made in March, 1923 for \$500,000 to investigate new sources of supply in the Philippine Islands and Latin America. Being deeply interested, I employed a staff of expert rubber growers and started a private investigation.

I found that Liberia, located on the West Coast of Africa, offered splendid opportunities equal to or better than any in the British possessions in the Far East in the way of land, climate and labor conditions. If the rubber industry could be developed in Liberia on a large scale it would not only bring relief to the United States for commercial purposes, but it would be a great safeguard to us in time of national emergency.

As a result of this investigation, my representatives negotiated agreements with Government officials in Liberia relative to the leasing of land and other concessions, and with the exception of a few minor changes, I am submitting these agreements to you¹⁰ with the request that the State Department advise us if they contain anything that would prevent the United States Government from giving this development, if entered into, its moral support and approval, and also give me any opinion or advice you see fit as regards the pro-

⁹ Printed from a copy; the original letter apparently has been lost. The date of receipt is not known.

¹⁰ Draft agreements not printed. These drafts were prepared by the Firestone Company in the United States and were not identical with those negotiated between Mr. Hines and the Liberian Government at Monrovia in June 1924. For later drafts prepared by the Firestone Company after an interview with the Secretary of State and other officials of the Department, see pp. 389 ff.

tection afforded the rights of both parties from a contractual and international standpoint.

Any courtesy extended by you will be greatly appreciated.

Yours very truly,

[HARVEY S. FIRESTONE]

882.6176 F 51/19

Memorandum by the Assistant Secretary of State (Harrison)

[WASHINGTON,] *December 12, 1924.*

Memorandum of a conversation respecting the desire of the Firestone Tire and Rubber Company to obtain a rubber concession in Liberia.

Present: The Secretary of State.
Mr. Harvey S. Firestone.
Mr. Amos C. Miller.
Mr. Harrison.

The Secretary referred to the proposed agreements submitted by the Company informally to the Department, the first relating to the lease "of the Mount Barclay Rubber Plantation for experimental purposes", the second relating to the lease of one million acres of land in Liberia, and the third relating to the improvement of the port of Monrovia.

(1) The Secretary desired at the outset to express his full appreciation of the importance of obtaining an independent source of supply of rubber for American interests. On the other hand, the Company should not be under any misapprehension as to the relationship of the United States to the Republic of Liberia. He, himself, in supporting the proposed loan agreement of 1921 before the Congress, had stressed the peculiar historical relationship between the United States and Liberia, and had emphasized the special considerations involved, aside from any question of moral commitment that may have existed with respect to the loan. He would point out that no matter what his personal feelings had been respecting our obligations in the matter, Congress had not supported these views or given its concurrence to the agreement in question.

(2) The Company had asked the Department to indicate whether it had objection to the proposed arrangements. He had noticed a proposed provision whereby the Company undertook to obtain either from the Government of the United States or from private persons a loan to the Government of Liberia upon the terms and conditions proposed in 1921, which, for its part, the Government of Liberia was to agree to accept. This provision might be misunderstood and afford in Liberia grounds for belief that there was a possibility of

reopening the question of a Government loan. It should be made quite clear that the proposed provision involved no committal on the part of this Government.

(3) With respect to the relationship of this Government to private loans of an analogous character, in certain instances, particularly in Central America, the Department had done what it properly could to be helpful, and in certain instances had, upon the request of both parties, undertaken to assist, so far as it properly could, in the settlement of difficulties that might arise, for example, through recourse to arbitration. Having no special relationship or obligation to Liberia, this Government could not assume more extensive responsibilities in connection with a loan by private parties to Liberia.

(4) With respect to the term of the lease, now set at ninety-nine years, renewable for fifty, the Secretary felt that some provision should be made for a revision of the taxation features of the agreement. As now drawn, the proposal was too inelastic. It was desirable that the contract should be fair *per se*. The Company itself might well desire not to be bound too rigidly to the terms fixed at this time. It might be even a distinct advantage to the Company to insert a provision which would make it possible, say after fifty years to revise these taxation features of the proposal.

(5) In examining the papers before him, the Secretary had found certain allusions to protection and support in the future. The Secretary would not and could not commit his successors in office in such a matter. He could, however, state that it was the historic policy of the Department to lend proper support of a diplomatic character to the just claims of its citizens. Each claim as presented was considered on its merits, and if found to be well founded in justice the Department took such action as was appropriate to the occasion. It should be clearly understood that there was no question of resort to force. It was a matter of appropriate diplomatic support. In this connection, the Secretary wished to emphasize the fact, which he hoped Mr. Firestone would appreciate, that the Secretary could give no different assurance in the case of Liberia than he could give in a similar case with respect to any other country.

(6) Mr. Firestone thanked the Secretary for his statement of the Department's position in the matter, and expressed the hope that his enterprise in Liberia might have the moral support of the Department. He emphasized the importance of a free source of supply of rubber to American interests, and pointed out the great advantages which would undoubtedly accrue to Liberia if his proposition went through. It was far from his thought to pirate or promote that country for purely selfish ends.

(7) At this point the Secretary took occasion to refer to certain information which had reached him and which Mr. Castle, the Chief of the Western European Division, would explain to Mr. Firestone, respecting the attitude of certain of the Company's representatives in Liberia towards the Government and people of Liberia. In a personal way the Secretary alluded to the importance of the use of great tact and judgment in dealing with the Liberian Government, where a kindly and understanding attitude would have an important responsive effect and would also avoid the possibility of unfortunate backfires in this country.

(8) In returning to the question of the loan, Mr. Firestone's remarks indicated that he had not lost hope of obtaining eventually a loan from the Government of the United States to Liberia. He touched upon the importance of the protection to his interests which would be afforded by the provisions of the 1921 agreement, and he expressed his understanding that in the event that it were found desirable to arrange a private loan, which would include a refunding of the 1912 loan, this Government would not object to assuming a similar relationship to that now existing to the 1912 loan. In reply the Secretary referred to his previous remarks in that connection, and again emphasized the importance of the agreement being fair and equitable to the Liberian Government.

(9) The Secretary asked Mr. Firestone and Mr. Miller to take up with Mr. Harrison in more detail possible amendments to the provisions in the agreements relating to the life of the concession, taxes, and exemptions from import duties.

882.6176 F 51/20

*Memorandum by the Economic Adviser, Department of State
(Young)*

[WASHINGTON,] *December 12, 1924.*

Memorandum of conversation concerning the proposed Firestone rubber concession in Liberia.

Present: The Assistant Secretary of State,
Mr. Harvey S. Firestone,
Mr. Amos C. Miller,
Mr. Young.

Following the conference in the Secretary's office, the representatives of the Firestone Company called for the purpose of further discussing the terms of the proposed agreements.

(1) Mr. Harrison stated that the Department felt that the period proposed during which Agreement No. 2 might be in effect, i. e., 99 years, with an option to extend it for 50 years more, was excessive.

It was pointed out that it might be in the interest of the company, as well as of the Liberian Government, to have a briefer term and some more flexible arrangement with respect to fiscal relations between the company and the Government. The representatives of the company agreed that the periods were too long, and suggested that they would give consideration to finding a formula which would shorten the maximum period to not over 99 years, and would embody some provisions for adjustment of fiscal relations. Mr. Firestone was not certain which type of arrangement he would prefer. The following general types of arrangements were discussed:

(a) A concession for 50 years, with an option to renew for a further period up to 99 years, such option to be exercised at any time after a fixed period, say 10 or 25 years:

(b) A year term concession, such as 99 years, with provisions for adjusting the fiscal relations periodically, e. g., at the end of 50 years and each 10 years thereafter.

Mr. Firestone stated that after more careful consideration he would indicate to the Department the changes he would suggest as to the above point.

(2) It was also pointed out that the contract provided that no tax on the exportation of rubber should be paid when the New York price was less than 15 cents per pound. It was suggested that, without being able to know what might be the future course of the price of rubber in the light of possible technical and other developments, it might be better to omit the provision exempting the company from the tax when the price fell below 15 cents. Mr. Firestone stated that he recognized that the tax in such a case would be almost negligible as a factor in the company's business, and indicated that he would probably eliminate reference to the 15 cent limit.

With respect to the question of adjusting fiscal arrangements, mention was made of the possibility of some form of arbitration, e. g., the Liberian Government to appoint one arbitrator, the company to appoint one and the Secretary of State to appoint a third.

(3) Reference was made to the proposed loan, which Mr. Firestone thinks may perhaps eventually be obtained from this Government. Mr. Harrison pointed out that it is important that the Liberian Government should not in any way be led to believe that the Government of the United States is making any commitment with respect to such a loan. It was further pointed out that the Department in the past had not made it a practice of going farther, in the case of private loans to Governments of certain Latin-American countries, than to assist by agreeing to facilitate the settlement of disputes by appointment of an arbitrator, and, with respect to supervision of loans, to lend its good offices in connection with the selection of a supervisor of customs revenues.

(4) Mr. Firestone and Mr. Miller indicated that they would take under advisement the points raised, and would communicate further with the Department in due course.

A[RTHUR] N. Y[OUNG]

882.6176 F 51/18

*Draft Agreement Number 1 Between the Government of Liberia and Harvey S. Firestone Concerning the Lease of Mount Barclay Rubber Plantation*¹¹

MEMORANDUM OF AGREEMENT (Styled Agreement Number One) made and entered into at the City of Monrovia Republic of Liberia this day of in the Year of Our Lord Nineteen Hundred and Twenty-Five by and between the Government of the Republic of Liberia represented by Edwin Barclay Secretary of State of the said Republic, hereinafter styled the Government, of the first part, and Harvey S. Firestone a citizen of the United States of America resident at Akron in the State of Ohio of the United States of America, represented by hereinafter styled the Lessee, of the other part

WITNESSETH :—

ARTICLE I

That whereas the said Lessee for the purpose of experimentation in the productivity of the soil and the costs of producing rubber on an extended scale in the Republic of Liberia has applied for a lease of the Rubber Plantation known as the Mount Barclay Rubber Plantation situated in the Township of Johnsonville County of Montserado and Republic of Liberia.

The Government for and in consideration of the sum of One Dollar (\$1.00) per acre per annum in gold coin of the United States of the present standard of weight and fineness, and other covenants hereinafter stipulated to be kept observed and performed by the Lessee hath agreed to let and by these presents doth grant demise and to farm-let unto the Lessee all that parcel of land situated as aforesaid and containing acres of land bounded and described as follows :—

To HAVE AND TO HOLD the above mentioned and described premises with the buildings which are now or which may hereafter be placed thereon and the appurtenances thereunto appertaining unto the Lessee from the day of Nineteen Hundred and Twenty-five for the full end and term of one year thence next ensuing and fully

¹¹ This and the two draft agreements which follow were handed to Assistant Secretary of State Harrison by representatives of the Firestone Company on Dec. 18, 1924; see letter of Dec. 22, 1924, from the Secretary of State to Mr. Harvey S. Firestone, p. 403.

to be completed and ended, the said Lessee yielding and paying therefor unto the Government upon the ensembling of these presents the rent of One Dollar gold per acre per annum.

ARTICLE II

And the Lessee doth Covenant hereby to and with the Government that

(a) For the purposes hereinbefore specified he will take the premises hereby demised and that he will pay or cause to be paid the yearly rent above reserved on the day and in the manner prescribed and that on the last day of said term or any sooner determination of the estate hereby granted, or upon the last day of any extended term, the Lessee shall and will quietly leave and surrender up unto the Government all and singular the said demised premises.

(b) And the Lessee doth further covenant and agree to furnish the Government from time to time with full reports of the scientific and technical results of the experiments carried out by the Lessee at said Plantation.

(c) That he will not import unskilled labor for the carrying out of any operations or developments undertaken upon the Plantation hereby demised to him except in the event the local labor supply proves inadequate to the Lessee's needs.

(d) That in the event the local supply proves inadequate as aforesaid Lessee undertakes and agrees to import only such foreign unskilled labor to supply the local deficiency as may be acceptable to the Government.

(e) That he in addition to the rents above reserved will pay to the Government a revenue tax of one per centum on the value of all rubber shipped from the Plantation calculated at the New York market prices prevailing at the date of the arrival of the rubber in New York. In the event this lease and agreement shall be extended for an additional term of ninety-nine years as provided in Paragraph

(f) of Article III hereof, then at the end of fifty (50) years from the date of this agreement, the revenue tax provided for in this Paragraph (e) shall be subject to revision at the request of the Government or of the Lessee; and shall likewise be subject to revision at the end of every ten (10) years thereafter during the remaining term of this lease and agreement. If the parties cannot at any such period by negotiations agree upon the amount to be fixed for such revenue tax for the ensuing ten (10) years, then the Government shall appoint one arbitrator and the Lessee shall appoint one arbitrator to fix such tax, and if such arbitrators cannot agree, then the Secretary of State of the United States shall appoint a third arbitrator and the decision of two of the three arbitrators thus chosen shall be

final and binding upon both parties; but such revenue tax shall not be greater than that commonly imposed by other governments in whose territory rubber shall at the time be produced in substantial quantities.

(f) The Lessee shall come to an arrangement with the Treasury Department of the Government of Liberia in respect to the collection and payment of poll taxes payable by persons who may be in the employ of the Lessee. But the Lessee shall in no event be held to collect in any year the poll tax for a greater number of employees than the average employed during the year. And it is further agreed that the Lessee shall not be required to collect for the Government from the employees of the Lessee any other poll tax than that provided by the General law of the Republic of Liberia; and that the poll or hut tax or other similar tax levied on Lessee's employees shall not exceed one dollar gold per head or its equivalent per annum.

(g) That in the case of war or other emergency declared to be such by the Government the said Government shall be entitled to the use of his lines of communication such as telegraph, telephone and wireless established outside or within the limits of the plantation.

ARTICLE III

And the Government doth covenant and agree by these presents that the Lessee paying and yielding the yearly rents above reserved and performing the covenants and Agreements aforesaid on his part stipulated to be performed.

(a) Shall and may at all times during the term hereby granted peaceably and quietly have hold and enjoy the said demised premises without any let suit trouble or hindrance from the Government or any person or persons whomsoever.

(b) Shall have the right at his own proper charge and expense to establish lines of communication such as roads and highways outside the limits of the Plantation—provided that such public highways as now exist or are in course of construction through the Plantation be not closed by Lessee but shall remain open to the free and unobstructed use of the public.

(c) All products of Lessee's plantations and all machinery, tools, supplies and buildings established, constructed or placed upon the leased land or elsewhere for the operation and development of the Lessee's land holdings and all leasehold interests, improvements and other property, franchises, right and income shall be free of and exempt from any internal revenue or other tax, charge, excise or impost except the revenue tax provided for in Paragraph (e) Article II.

(d) All machinery, tools, food and supplies of all kinds purchased and imported by Lessee for the operation and development of the

lands held by Lessee under this Agreement shall be exempt from all customs dues or other import duties. But such import duties, if any, as are now required by the "Agreement for refunding loan, 1912", or any modification thereof, shall be paid by Lessee until such agreement shall be so modified as to reduce or abrogate such duties required on such imports by Lessee; in which event, Lessee shall be required to pay only such import duties as are demanded by such agreement as modified.

(e) Lines of communication such as telegraph, telephone lines, railroads and canals constructed and established by Lessee outside the confines of the Lessee's tracts selected hereunder shall during the life of this Agreement be exempted from all taxation so long as they be used only for the purposes of the operations of Lessee upon lands held under this Agreement. In the event that such lines of communication shall be used by Lessee for general commercial purposes to serve others for hire then while so used they shall be subject to taxation under the general laws of Liberia.

(f) That at the expiration of the one year lease hereby granted the Lessee shall have the right by written notice to the Secretary of State of the Republic of Liberia given on or before the last day of the term of this lease, to renew this lease of the Mount Barclay Rubber Plantation for a period of two, three or five years at the election of the Lessee, provided however that should Lessee exercise his option for renewing the lease of said plantation the rent therefor in that event shall in addition to the other covenants hereinbefore stipulated by him to be observed and performed (except the payment of rent) be Six Thousand Dollars per annum payable annually and every year in advance in gold coin of the United States of the present standard of weight and fineness. And at the end of such renewal term the Lessee shall have the right and option, by similar notice given on or before the last day of the renewal term to renew this lease for another term of ninety-nine years from the last day of such renewal term, such ninety-nine year term to be upon the same terms and conditions in all respects as this lease except that the rent reserved shall be that of the first renewal term, viz, Six Thousand Dollars per annum payable each year in advance in gold coin of the United States of the present standard of weight and fineness. And provided further that in the event of a renewal or renewals of said lease, should the rent above reserved or any part thereof be behind or unpaid or any day of payment whereon the same ought to be paid as aforesaid, or if default should be made in any of the covenants hereinbefore contained on the part of the lessee or be paid kept and performed, and if such default in the payment of rent or otherwise shall continue after ninety days written notice of the existence of such default served

by the Government upon the Lessee personally, or upon the President of his corporate successor after assignment of this lease by the Lessee, then it shall be lawful for the Government to cancel this lease and to re-enter into and upon the demised premises, and to again re-possess and enjoy the same. But if the Lessee shall within said period of ninety days after written notice aforesaid make good the default complained of in said notice no right of cancellation shall thereafter exist because of such default.

ARTICLE IV

(a) It is understood and agreed by both parties hereto that in the event the lease of the Mount Barclay Rubber Plantation be renewed for a period of Ninety-nine years, should operations thereon cease for a period of three consecutive years the right of Lessee thereto and therein shall become extinguished and void anything herein to the contrary hereof in anywise notwithstanding.

(b) The Lessee shall have the right to engage in any operations other than agricultural upon the lands held under this Agreement and to utilize any product or materials of or upon said lands; but any mining or other similar operations shall be subject to the laws of the Republic of Liberia unless the parties hereto shall agree upon special terms therefor.

(c) It is further agreed that at the expiration of the term of this lease hereinabove provided or any extension thereof or upon the cancellation of this Agreement at any earlier time, such buildings and improvements erected by the Lessee upon the land selected hereunder as shall not have been removed before the expiration or cancellation of the lease or any extension or renewal thereof, shall become the property of the Government of Liberia without charge or condition.

(d) The rights by this Agreement granted to the Lessee shall not be sold, transferred or otherwise assigned by the Lessee to any person, firm, group or trust without the written consent thereto of the Liberian government previously had; provided however that Lessee is expressly granted the right to assign this contract and grant to a corporation which shall be organized by him for the purpose of acquiring this contract and all the rights herein granted to the Lessee; and upon such assignment to such corporation such corporation shall become vested with each and all of the rights herein granted to the Lessee upon the Agreement by such corporation to assume and become bound by all of the obligations herein imposed upon the Lessee; and thereupon such assignee shall become the sole party to this contract in lieu of the Lessee as fully and to the same extent as if said corporation had been named herein as Lessee.

IN WITNESS WHEREOF THE parties hereto have hereunto set their hands and seals to this Agreement in duplicate the year and day above written.

For the Government of Liberia

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For Harvey S. Firestone

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882. 6176 F 51/18

Draft Agreement Number 2 Between the Government of Liberia and Harvey S. Firestone Concerning the Lease of One Million Acres for the Development of Rubber Growing

MEMORANDUM OF AGREEMENT (Styled Agreement Number Two) made and entered into at the City of Monrovia Republic of Liberia this day of in the year of our Lord Nineteen Hundred and Twenty-Five by and between The Government of the Republic of Liberia represented by Edwin Barclay Secretary of State of said Republic hereinafter styled the Government, and Harvey S. Firestone a citizen of the United States of America resident at Akron in the State of Ohio of the United States aforesaid, represented by hereinafter styled the Lessee WITNESSETH:—

ARTICLE I

That the Government hath agreed and by these presents doth agree to grant, demise and to farm-let unto the Lessee for the period of Fifty years from this date an area of land within the boundaries of the Republic of Liberia of one million acres or any lesser area that may be selected by the Lessee from time to time within said period of Fifty years; such land to be suitable for the production of rubber or other agricultural products.

But should the Lessee fail

(a) To notify the Government of his acceptance of the conditions herein contained and stipulated within six months after the execution of this Agreement by the Government of Liberia;

(b) Or within one year thereafter to commence the selection of lands hereunder;

Then in such case the obligation of the Government under this Agreement shall be discharged and ended.

ARTICLE II

The Government further agrees that the Lessee shall during the life of this Agreement have and enjoy the following additional rights and exemptions:

(a) All products of Lessee's plantations and all machinery, tools, supplies and buildings established, constructed or placed upon the leased land or elsewhere for the operation and development of the Lessee's land holdings and all leasehold interests, improvements and other property, franchises, rights and income shall be free of and exempt from any internal revenue or other tax, charge, excise or impost except the revenue tax provided for in Article III. Paragraph (d).

It is understood and agreed that this exemption shall not apply to Lessee's employees, laborers or servants.

(b) All machinery, tools, food and supplies of all kinds purchased and imported by Lessee for the operation and development of the lands held by Lessee under this Agreement shall be exempt from all customs dues or other import duties. But such import duties, if any, as are now required by the "Agreement for refunding loan, 1912", or any modification thereof, shall be paid by Lessee until such agreement shall be so modified as to reduce or abrogate such duties required on such imports by Lessee; in which event, Lessee shall be required to pay only such import duties as are demanded by such Agreement as modified.

(c) Lessee shall have the exclusive right and privilege upon the lands which shall be selected under this Agreement to construct highways, railways and waterways for the efficient operation and development of the properties. It is agreed that all trails across such lands used immemorially by the population shall be subject and open to free use by the public.

(d) Lessee shall have the right to construct and establish at his own expense lines of communication such as highways, roadways, waterways and railways outside the lands selected under this Agreement. Such routes may be so located by the Lessee as to best serve the purpose of efficient operation of his plantations and enterprises but the Lessee agrees to consult the Government in the matter of such location. All highways and roadways in this paragraph mentioned shall upon completion become public property.

(e) The Lessee shall have the right to construct and establish lines of communication for the purpose of more efficiently operating his plantations and enterprises such as telegraph lines, telephone lines and wireless stations outside of the confines of the land selected under this Agreement, subject to the provisions of Paragraph (h), Article IV of this Agreement; and to the extent necessary for such propose [*purpose*] may use, without the payment of rent for such land, any Government lands not already devoted to some other use. The Government in case of war or other emergency shall have the right to use such lines of communication.

(f) The Lessee shall have the right to cut and use all timber upon the lands covered by this Agreement but if he shall engage in the sale of lumber to be removed from such lands for export he shall pay the Government royalty of two (2) cents per cubic foot for the lumber so sold, in gold coin of the United States of the present standard of weight and fineness.

(g) The Lessee shall have the right to engage in any operations other than agricultural upon the lands held under this Agreement and to utilize any product or materials of or upon said lands; but any mining or other similar operations shall be subject to the laws of the Republic of Liberia unless the parties hereto shall agree upon special terms therefor.

(h) The Government warrants to the Lessee the title to all lands selected by him upon which the Government shall accept the rental or compensation as herein provided and will defend and protect such title for the benefit of the Lessee.

The Government further agrees that it will encourage, support and assist the efforts of the Lessee to secure and maintain an adequate labor supply.

ARTICLE III

The Lessee in consideration of the Agreements herein by the Government hath agreed and by these presents doth agree as follows:

(a) To notify the Government within a period of six (6) months after the execution of this Agreement by the Government of Liberia of his acceptance or rejection of the conditions and stipulations of this Agreement.

(b) Beginning one year after the acceptance by the Lessee of this Agreement he shall select from year to year lands suitable for the production of rubber and other agricultural products in such areas or quantities within the maximum limit of one million acres of land as may be convenient to him and in accordance with the economical and progressive development of his holdings; and said Lessee shall upon the selection or location of any tract or tracts of land notify the Government of such selection and the boundaries thereof. But the Lessee shall within five years of the final execution of this Agreement select and begin the payment of rent upon a total of not less than twenty thousand acres.

Upon written notice by Lessee to the Government of Liberia of Lessee's intention to make a selection of land hereunder within a named territory Lessee shall have six (6) months thereafter to select land within such territory and upon the filing by Lessee with the Government within such six (6) months of written notice of the selection of land within such designated territory the title to such selected land shall vest in Lessee for the purposes named in this Agreement.

It is not intended hereby to deny Lessee the right to make selection of lands hereunder without such previous notification of intention to select within six (6) months; but if such last named notification is filed the same shall have the effect of preventing others from acquiring title within such territory during such six (6) months.

(c) As and when the Lessee takes possession of lands selected by him under this Agreement Lessee shall pay to the Government rental at the rate of six (6) cents per acre yearly and every year in advance in gold coin of the United States of the present standard of weight and fineness. Such payments shall be made to the Secretary of the Treasury of Liberia or to such other officer as may be by law provided.

(d) Six (6) years after the acceptance by the Lessee of this Agreement and annually thereafter, subject to the provisions of Paragraph (a) of Article IV hereof, the Lessee shall pay to the Government a revenue tax equivalent to one per centum of the value of all rubber shipped from Lessee's plantations calculated on the price for such products prevailing in the New York market at the time of the arrival of the shipment in New York. But any expenditures by Lessee for construction and repair of public roads outside his plantations, the location of which roads has been approved by the Government, may be deducted by Lessee from the next ensuing payments due under this paragraph.

If this lease and agreement shall be extended a second fifty years as hereinafter provided in Article IV, Paragraph (j), then at the end of fifty (50) years from the date of this agreement, the revenue tax provided for in this Paragraph (d) shall be subject to revision at the request of the Government or of the Lessee; and shall likewise be subject to revision at the end of every ten (10) years thereafter during the remaining term of this lease and agreement. If the parties cannot at any such period by negotiations agree upon the amount to be fixed for such revenue tax for the ensuing ten (10) years, then the Government shall appoint one arbitrator and the Lessee shall appoint one arbitrator to fix such tax, and if such arbitrators cannot agree, then the Secretary of State of the United States shall appoint a third arbitrator and the decision of two of the three arbitrators thus chosen shall be final and binding upon both parties; but such revenue tax shall not be greater than that commonly imposed by other governments in whose territory rubber shall at the time be produced in substantial quantities.

(e) The Lessee shall come to an arrangement with the Treasury Department of the Government of Liberia in respect to the collection and payment of poll taxes payable by persons who may be in the employ of the Lessee. But the Lessee shall in no event be held to collect in any year the poll tax for a greater number of employees than

the average employed during the year. And it is further agreed that the Lessee shall not be required to collect for the Government from the employees of the Lessee any other poll tax than that provided by the general law of the Republic of Liberia; and that the poll or hut tax or other similar tax levied on Lessee's employees shall not exceed One Dollar (\$1.00) gold per head or its equivalent per annum.

(f) Should the rent reserved on any piece or parcel of ground selected by the Lessee be behind or unpaid on any day of payment whereon the same ought to be paid as herein provided, or if default should be made in any of the covenants hereinbefore contained on the part of the Lessee to be paid, kept and performed, and if such default in the payment of rent or otherwise shall continue after ninety (90) days written notice of the existence of such default served by the Government upon the Lessee personally or upon the president of his corporate successor after assignment of this lease by Lessee, then it shall be lawful for the Government to cancel this lease as to that piece or parcel of ground, the rent for which is in default or in respect of which piece or parcel any other default exists as specified in such notice, and to re-enter into and upon the said demised premises and to again repossess and enjoy the same. But if the Lessee shall, within said period of ninety (90) days after written notice as aforesaid, make good the default complained of in said notice, no right of cancellation shall thereafter exist because of such default.

ARTICLE IV

It is further agreed between the parties hereto as follows:

(a) The Lessee will not import unskilled foreign labor for the carrying out of any operations or development undertaken by virtue of this or any other grant except in the event the local labor supply should prove inadequate to the Lessee's needs. In the event that the local labor supply should prove inadequate as aforesaid Lessee undertakes to import only such foreign unskilled labor as shall be acceptable to the Government of Liberia.

(b) Should the operations of the Lessee under this Agreement cease for a period of three consecutive years then all and singular of the rights of the Lessee hereunder shall become extinguished and void and this Agreement shall become of no effect but such cancellation of this Agreement shall not affect any rights granted by the Government to the Lessee under any other Agreement.

(c) The rights by this Agreement granted to the Lessee shall not be sold, transferred or otherwise assigned by the Lessee to any person, firm, group or trust without the written consent thereto of the Liberian Government previously had; provided however that Lessee is expressly granted the right to assign this contract and

grant to a corporation which shall be organized by him for the purposes of acquiring this contract and all the rights herein granted to the Lessee; and upon such assignment to such corporation such corporation shall become vested with each and all of the rights herein granted to the Lessee upon the Agreement by such corporation to assume and become bound by all of the obligations herein imposed upon the Lessee; and thereupon such assignee shall become the sole party to this contract in lieu of the Lessee as fully and to the same extent as if said corporation had been named herein as Lessee.

(*d*) The Government reserves the right to construct roads, highways, railroads, telegraph and telephone lines and other lines of communication through any and all plantations owned and operated by Lessee; but before so doing the Government shall pay to Lessee all damage which will be caused to Lessee's property by the construction and operation of such roads or other lines of communication; such damage to be ascertained in accordance with the general law of the Republic of Liberia.

(*e*) The Lessee shall have the right to develop for his own use such natural water power and hydroelectric power as may be capable of development upon any of the tracts of land selected by the Lessee under this Agreement and Lessee shall have the right to construct and maintain power lines over any Government lands in order to convey power so developed from one tract of land selected by Lessee to any other tract.

(*f*) Tribal reserves or lands set aside for the communal use of any tribe within the Republic of Liberia are excluded from the operation of this Agreement. Should any question arise as to the limits and extent of such reserves such questions shall be finally determined by the Secretary of Interior on a reference by the Lessee.

(*g*) Lines of communication such as telegraph, telephone lines, railroads and canals constructed and established by Lessee outside the confines of the Lessee's tracts selected hereunder shall during the life of this Agreement be exempted from all taxation so long as they be used only for the purposes of the operations of Lessee upon lands held under this Agreement. In the event that such lines of communication shall be used by Lessee for general commercial purposes to serve others for hire then while so used they shall be subject to taxation under the general laws of Liberia.

(*h*) It is further agreed that at the expiration of the term of this lease hereinabove provided or of any extension thereof or upon the cancellation of this Agreement at any earlier time such buildings and improvements erected by the Lessee upon the land selected hereunder as shall not have been removed before the expiration or

cancellation of the lease shall become the property of the Government of Liberia without charge or condition.

(i) It is further agreed that if hereafter the Government shall grant to any other person, firm or corporation any rights in connection with the production of rubber in Liberia upon more favorable terms in any respect than those granted in this Agreement such more favorable terms shall inure to the benefit of the Lessee herein the same as if such more favorable terms were incorporated herein.

(j) It is further agreed that the Lessee shall have the option, to be exercised at any time after the first ten (10) years of the term of this Agreement and before the expiration of the said fifty (50) years, to extend the term of this Agreement for an additional fifty (50) years, such option to be exercised by notice in writing by Lessee filed with the Secretary of State or chief executive officer of the Government of Liberia; and upon the filing of such notice this agreement and all the terms thereof shall be extended for such additional term of fifty (50) years.

(k) It is further agreed that the Lessee shall use his best efforts to secure either from the Government of the United States or from some other person or persons a loan of not less than two million dollars or more than five million dollars upon all the terms and conditions of the loan of five million dollars which was contemplated in the proposed agreement between the Government of Liberia and the Government of the United States and was approved by the Government of Liberia on or about day of Nineteen Hundred and Such loan whether made by the Government of the United States or by others to be under the terms and conditions last mentioned and the Government of Liberia agrees to accept such loan on such terms if it can be secured within five years from this date.

(l) During the term of this Agreement the Lessee shall at all times have free access to the port and harbor facilities at Monrovia for all business purposes of the Lessee. And during the full term of this Agreement the Government shall furnish without charge to Lessee upon Government lands, adjacent to the harbor, a convenient and permanent site for the location of a warehouse, which shall be for the exclusive use of the Lessee.

IN WITNESS WHEREOF the parties hereto have hereunto set their hands and seals the day and year first above written.

For the Government of Liberia

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Secretary of State

For Harvey S. Firestone

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882.6176 F 51/18

Draft Agreement Number 3 Between the Government of Liberia and Harvey S. Firestone Concerning the Improvement of the Harbor of Monrovia

MEMORANDUM OF AGREEMENT (Styled Agreement Number Three) made and entered into at the City of Monrovia, Republic of Liberia this day of in the Year of Our Lord Nineteen Hundred and Twenty-five by and between the Government of the Republic of Liberia represented by Edwin Barclay, Secretary of State of the said Republic, hereinafter styled the Government, and Harvey S. Firestone a citizen of the United States of America, resident at Akron, in the State of Ohio, one of the United States aforesaid, represented by hereinafter styled LESSEE, WITNESS-ETH:—

ARTICLE I

That provided Agreements numbered One and Two between the parties hereto, Number One providing for the lease of Mount Barclay Rubber Plantation, and Number Two providing for the lease of lands to be selected by the Lessee not to exceed One Million acres, shall be finally consummated in their present or some other form acceptable to the parties, the Lessee is hereby granted the right and option to improve the Harbour of Monrovia in Liberia by constructing the necessary breakwaters, wharfage and lighterage facilities, such option to be exercised and such work to be begun within five years of the execution of this Agreement, and to be pushed to completion with all reasonable speed; provided, however, that such work if undertaken by the Lessee shall be begun before the Government shall itself begin the work of permanently and adequately developing the Harbour facilities. Plans for such development shall be by the Lessee submitted to the Government and approved by it; but the Government agrees to approve plans submitted by the Lessee providing the same are reasonably suitable for the purpose intended; and the Lessee is further given the right, in case he constructs the Harbour as aforesaid, to keep the same in repair, and agrees to perform such repair work as shall from time to time be required by the Government during the term of this Agreement.

ARTICLE II

In consideration of the Lessee's undertaking, as aforesaid, the Government agrees

(a) To repay Lessee the expenditure made by him for the construction and repair work as aforesaid, but in no case to exceed in total

the sum of \$300,000.00 aside from cost of repairs; payment to be made by the Government in the manner hereinafter provided.

(b) To place at the disposal of the Lessee, lands contiguous to the Harbour and Harbour improvement for the purpose of obtaining the necessary rock and other raw material sufficient for the economical construction of the work. But no charge shall be made by the Government for such lands or the materials taken therefrom.

(c) To assign to Lessee all Port and Harbour dues now levied or that may be hereafter levied or accruing, together with the right to collect the same until the sum so collected shall be sufficient, after deducting thereout the cost of maintenance and operation, to repay to Lessee the cost of all construction work (not to exceed \$300,000.00) and of all repair work above mentioned, with interest at Six Percent (6%) per annum on all sums so expended.

(d) The Lessee shall at all times have free access for all its business purposes to the port and harbour facilities above mentioned. The Lessee shall have the right, so long as any part of his expenditures for the improvement, construction work or repair of the harbour facilities, or the interest thereon, shall remain unpaid, to operate the harbour facilities and collect all dues, accounting therefor to the Government at such reasonable times as the Government shall require, and to apply all dues collected upon the amount due to the Lessee for such construction work, repairs and interest.

ARTICLE III

It is agreed by both parties hereto

(a) That the Government shall at all times have the right to an accounting and an audit of the expenditures made by Lessee on account of Harbour construction, maintenance and repair and the Lessee undertakes to grant the Government every facility for this purpose.

(b) That the Government may at any time at its option reimburse the Lessee his expenditures or the outstanding balance thereof with interest, on account of said construction, maintenance and repair, in which event the assignment of the Port and Harbour dues, and all further obligations of the Lessee hereunder, shall become null and void. But the Lessee, nevertheless, shall have the right at his own expense to make all necessary repairs to said harbour facilities; and in the event said Lessee shall make expenditures on this account, the Government agrees to reimburse the Lessee for the reasonable cost of such repairs.

(c) The harbour dues shall not be excessive, and shall be fixed with the purpose of covering only the reasonable cost of maintenance, operation and repairs of the harbour facilities, and interest on the investment, and the establishment of a reasonable sinking fund to liquidate the cost of construction within a period of twenty years.

(d) The rights by this Agreement granted to the Lessee shall not be sold, transferred or otherwise assigned by the Lessee to any person, firm, group or trust without the written consent thereto of the Liberian Government previously had; provided, however, the Lessee is expressly granted the right to assign this contract and grant to a corporation which shall be organized by him for the purpose of acquiring this contract and all the rights herein granted to the Lessee; and upon such assignment to such corporation such corporation shall become vested with each and all of the rights herein granted to the Lessee upon the Agreement by such corporation to assume and become bound by all of the obligations herein imposed upon the Lessee; and thereupon such assignee shall become the sole party to this contract in lieu of the Lessee as fully and to the same extent as if said corporation had been named herein as Lessee.

IN WITNESS WHEREOF the Parties hereto have hereunto set their hands and seals the day and year first above written.

For the Government of the Republic
of Liberia

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Secretary of State

For Harvey S. Firestone

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882.6176 F 51/4

The Secretary of State to Mr. Harvey S. Firestone

WASHINGTON, *December 22, 1924.*

SIR: I beg to acknowledge the receipt of your letter of December 10, 1924, and of the three draft agreements covering your proposed enterprise in Liberia which have been revised since my talk with you last week and were handed to Mr. Harrison by representatives of your company on December 18. In submitting these draft agreements to the Department, you asked to be advised whether they contain anything which would prevent this Government from giving your undertaking its moral support and approval. You also inquire concerning "the protection afforded the rights of both parties from a contractual and international standpoint".

In reply, I wish to say that I fully appreciate the importance of developing independent sources of rubber supply under American control, and trust that your enterprise may contribute to that end. With reference to your inquiry whether the enterprise would receive the support of this Department, I may state that it is not the policy of the Department of State to obtain or negotiate concessions for American citizens, although the Department is always desirous to

maintain free and equal opportunity for American enterprise throughout the world. There appears to be nothing in the contracts submitted by you which is opposed to the interests or policies of this Government or which would preclude this Department from giving appropriate moral support. It should be understood, of course, that the Government assumes no obligations and the investment must be made at the risk of those engaged in the enterprise. While I cannot presume to bind my successors in office, I may say that it has been and is the policy of the Department when controversies arise to lend proper support of a diplomatic character to claims of American citizens wherever these claims appear to be founded on international law and justice.

I note that Agreement No. 2 contains in Article IV, paragraph (*k*), a statement to the effect that you will use your best efforts to obtain for Liberia a loan either from the Government of the United States or from some other person or persons. In this connection, it should be clearly understood that this statement in the contract and what I have said above must not be taken by the Government of Liberia or in any other quarter to mean that I intend to reopen the question of a government loan or that any committal in this respect is involved.

Subject to the foregoing, I take pleasure in informing you that this Department, in the light of the information before it, perceives no objection to your proceeding to negotiate an agreement in the matter with the Government of the Republic of Liberia on the lines set forth in the draft agreements submitted to this Department.

I am [etc.]

CHARLES E. HUGHES

882.6176 F 51/7 : Telegram

The Secretary of State to the Clerk in Charge of the Legation at Monrovia (Wall)

WASHINGTON, January 7, 1925—4 p. m.

1. Your January 2, 3 p. m.¹² Firestone telephones Department from Akron that he is telegraphing his agents in Liberia and also President King that contracts are on way and he hopes legislative action may be taken as soon as they arrive. He believes that contracts will meet President's approval and is very anxious that matter be settled as he desires to begin work.

Firestone says he has information that British interests are becoming active in opposition and that proposed act changing Customs Tariff may be part of their propaganda. If so requested Legation may give appropriate support to the American interests concerned. Please show this telegram in strict confidence to De la Rue who has

¹² Not printed.

often discussed proposed contracts with President King. Hood sailing immediately.¹³

HUGHES

882.032/47

*An Act Passed by the Liberian Legislature Approving the Agreements Entered Into by the Liberian Government and Harvey S. Firestone*¹⁴

It is enacted by the Senate and House of Representatives of the Republic of Liberia in Legislature assembled:

SECTION 1. That the Agreements entered into by the Executive Government with Harvey S. Firestone a citizen of the United States of America with reference to the cultivation of Rubber and other agricultural products in the Republic of Liberia by the said Harvey S. Firestone and with reference to the construction of Harbour Works at the Port of Monrovia which Agreements are entitled Agreement Number (1) Number (2) Number (3) be and the same are hereby approved.

SECTION 2. And the President is hereby authorised to enter into final Agreements with the said Harvey S. Firestone substantially on the terms, conditions and stipulations set forth in the said draft Agreements and correspondence incidentally thereto.

Any law to the contrary notwithstanding.

Approved January 13, 1925.

882.6176 F 51/22 : Telegram

The Clerk in Charge of the Legation at Monrovia (Wall) to the Secretary of State

MONROVIA, February 16, 1925—4 p. m.

[Received 10:41 p. m.]

4. For Harrison and Castle, from De la Rue. Firestone's representative with signed agreements arrived on February 15.¹⁵

WALL

¹³ Solomon Porter Hood, Minister Resident and Consul General in Liberia (Oct. 26, 1921 to Aug. 31, 1926), temporarily in the United States.

¹⁴ Printed from *Acts Passed by the Legislature of the Republic of Liberia During the Session 1924-1925* (Monrovia, Government Printing Office, 1925), ch. XII, p. 24. The agreements thus ratified were the draft agreements arrived at in June 1924 in negotiations between the Liberian Government and Mr. Hines of the Firestone Co. and are not identical with those prepared by the Firestone Co., submitted to the Department of State in December 1924, and taken to Liberia by a Firestone representative in February 1925. (See telegram from the Legation at Monrovia, Feb. 16, 1925, 4 p. m., *infra*.)

¹⁵ The agreements which the Firestone representative, W. D. Hines, carried to Liberia were the draft agreements prepared by the Firestone Co. and submitted to the Department of State in December 1924.

882.6176 F 51/23 : Telegram

The Clerk in Charge of the Legation at Monrovia (Wall) to the Secretary of State

MONROVIA, February 23, 1925—2 p. m.

[Received 8:18 p. m.]

5. For Harrison and Castle, from De la Rue. In conference with Secretary of State for Liberia February 21, 1925. Cabinet object to loan negotiation clause being included in agreements submitted by Firestone. Secretary believes that authorization for loan agreement assigning the same revenues but reducing number of control officers to those indicated in my letter of November 13, 1924,¹⁶ and modifications on other points necessary by reason of reduced amount might be entered into as a separate document and approved by the legislature at the same time. Please advise if there is any use in working on these lines. Believe other terms in agreements can be accepted.

WALL

882.6176 F 51/24 : Telegram

The Clerk in Charge of the Legation at Monrovia (Wall) to the Secretary of State

MONROVIA, February 25, 1925—4 p. m.

[Received February 26—4 p. m.]

6. For Harrison and Castle, from De la Rue. Cable request [*sic*] statistical information on rubber compan[ies'] payments to governments for plantation privileges or as export charges, in order to determine fairness Firestone modifying terms. Please secure and forward from crude rubber section of Department of Commerce and Labor. Legation has not received copy of crude rubber survey of world. Majority Cabinet this morning agree in principle to Firestone terms. Separate agreement for exploitation still favored.

WALL

882.6176 F 51/27

The General Receiver of Customs of Liberia (De la Rue) to the Chief of the Division of Western European Affairs (Castle)

MONROVIA, 4 March, 1925.

[Received April 13.]

MY DEAR MR. CASTLE: I sent you two cables because I thought you would be interested to know how the Firestone Company Agree-

¹⁶ Not printed.

ments have been received here and also they would indicate to you the turn affairs were taking.¹⁷

2. The majority of the Cabinet who are here were all of the opinion that it would be a more proper procedure and would not be likely to give offense to Great Britain and France or start anti loan propaganda as they fear the present Agreements may do if the loan agreement provisions were made a part of a separate agreement. They are perfectly willing to have the two Agreements so worded as to make them in effect part and parcel of each other but nevertheless as these Agreements have all been completed and signed, you will understand it was doubly difficult for the officials here to accept although had they been able to discuss and possibly change some of the wording without changing the principles it would have been easier for them.

3. At any rate, as I cabled you, these principles have now been accepted and the Agreements themselves are receiving scrupulous care and consideration although no definite action can be expected until the President's views are ascertained.

4. For your confidential information, I am forwarding you a copy of my opinion as Financial Adviser, so that you will see the attitude I have taken in the whole matter.

Very sincerely and respectfully yours,

S. DE LA RUE

[Enclosure]

The Financial Adviser of Liberia (De la Rue) to the President of Liberia (King)

MONROVIA, 2 March, 1925.

EXCELLENCY: I have the honor to herewith submit for your Excellency's consideration, at the request of the Secretary of State of Liberia, an opinion on the Firestone Agreements mentioned above.

1. In order that my attitude may be clear, I should like to explain that my present intention is to discuss the matter as a question of principle rather than from the view point of minutely examining the detail. In my opinion, the question of the detail is insignificant in a subject of the magnitude and far reaching effect that a Concessionary Agreement of this class must be to all of the officials, citizens and inhabitants of this country. Should it come to be ascertained that the Executive Government of the Republic finds itself in accord with the principles embodied in the Agreement, then the detail becomes important only as a matter of phraseology or expression.

¹⁷ Evidently refers to telegrams of February 23 and 25 from the clerk in charge of the Legation at Monrovia, *supra*.

2. As I am impressed with the offer that has been formally made by the delivery of three completely executed Agreements, I see the question before the Executive Government of Liberia as divided into three great principles:—

- (a) The acceptance of American economic influence,
- (b) The acceptance of the idea of offering inducement to foreign capital for the development of Liberia.
- (c) The determination of the country to renew its acceptance of American superiority of interest over the interest of other foreign countries.

3. The first principle (a) The Acceptance of American Economic Influence, is the foundation stone of the other two. To a student of economics and equally to a student of diplomacy and affairs, modern civilization appears divided into certain great economic fields, each with certain characteristic peculiarities. Ancient civilization never comprehended an economic field separated from the sovereignty or dominion of the dominant nation in each field, but today the world has progressed to the use of trade agreements, special exemptions and financial systems which render it perfectly possible for groups of peoples moving in certain economic fields to preserve their own sovereignty and government and yet from the point of view of commerce, to be as indissoluble as if they were citizens of the same country or men of the same blood and race.

4. The economic field of Germany, before the war, was an example of this. German commercial dominion was recognized among many nations. It was when the German military caste sought to return to the principles of the ancient world and unite commercial supremacy to sovereignty, that Germany saw the careful commercial upbuilding of many years swept into ruin. Today, Germany deprived of her colonies and deprived of her former sources of raw material, compelled to buy in the world's market and to borrow her very capital from her late antagonists, presents an uncertain future. Germany may become modern, democratic and a safe neighbor. Germany may revert to her war ideals and become a military autocracy again endangering those people with whom she deals. The desire for colonial possessions in Africa is evident and her increasing power will render her diplomacy more and more determined in its efforts to this end. I am convinced that at this time, seeing the future no more clearly than we do, entering into the post war German economic field would be unsafe for a country whose strength is yet undeveloped.

5. France has presented to the world an unwavering economic policy of colonial possession, and then and only then, development. Broadly speaking, one may examine the map of the world and find

relatively little French capital invested in any country other than a country which by some system of government is in fact a French Colony or Protectorate. France suffered as a country more during the late war than any of her allies excluding Belgium. Today, we see her with depreciated currency struggling to obtain some share of the promised compensation for her damages with but little available capital for the development of her very large share of the world. To enter definitely into the French economic field would not appear to offer hope of that capital investment which the resources of this country require if they are to be brought into service for its citizens.

6. The British Empire is the next great economic force in the world and English capital has developed country after country and territory after territory with little or no regard of the question of the sovereign power so long as an honorable and stable government was maintained in the place where English capital was to be used. Even the United States sought English capital and the great trans-continental railroad lines of America were largely built from English sources. The British Empire, therefore, appears from this point of view, a safe and desirable field in which the Republic of Liberia might seek to obtain the necessary capital for its development.

7. On the other hand, the Republic of Liberia is a plantation country. It may have mineral sources of great value but they have never been accurately located. There is not a mine in actual operation from the many concessions that have been given, and if one examines the Export Statistics of the country, one finds that the people of the country have turned to the export of palmoil, palm kernels, fibre, coffee and rubber. It is a law of economics that is well recognized, that people of any country, community or environment, will tend to produce always that thing which their environment most profitably and easily produces. The proof, therefore, today of Liberian resources has been definitely given on the subject of plantation production and it is yet to be obtained on minerals or manufactured goods.

8. In my opinion, therefore, Liberia should seek and must seek an alliance with capital in an economic field whose effort is toward the development of plantation products of a character which experience has shown can be easily and profitably produced in Liberia.

9. If one examines the world's statistics, the British Empire already produces more than 80% of the plantation rubber produced in the world. We find British industries seeking to sell rubber rather than to buy. The same in effect holds good for all plantation products, the British Empire being the best balanced as well as the most self-contained existing economic field. Capital alliance with the British Empire field must therefore be sought in competition with British industry, if it is to be obtained at all.

10. The next great world economic field is that of the United States of America which includes many nations not under American dominion. An examination of the world's products bought and interchanged by this field shows that the consumption by industry is greater than its production of raw products. We find 70% of the British Empire rubber production bought by this field; we find other tropical products equally sought. Logically, therefore, the Liberian Republic should expect to obtain a better consideration in an alliance with the American economic field than with those groups which I have compared above.

11. In discussing the question of the principle of world economic fields, I have approached the subject from a detached point of view taking no notice of the local sentiment or desires of the citizens of the Republic. It would be perhaps unfair to refrain from recalling the historical association between the United States and Liberia and the very natural tendency of the citizens of this Republic to look with favor on an economic alliance with a group whose colony they consider themselves to have been, this association being mutually appreciated as the political history of Liberia so frequently records.

12. The second principle (*b*) The Acceptance of the Idea of Offering Inducement to Foreign Capital for the Development of Liberia has been already accepted as the expressed policy of the present Administration. The interior has been partially opened to foreign trade, the draft Agreements exchanged with the Firestone Tire & Rubber Company in June 1924, the Anglo African Exploration Company Ltd., Mining Agreement, the Mining Laws of 1923/24, the Highway Act of 1924/25, and other laws, regulations and privileges demonstrate the attitude of this Government on this point beyond question or need of discussion. The Firestone Agreement No. 2, however, as now modified, brings into question two principles inasmuch as the inducement suggested as being necessary to permit this Company to develop rubber plantations producing in competition with the Far East covers in Article 4, Sub-Section "K" the agreement on the part of this country to accept a loan for certain public works, educational, agricultural and other developments.

13. The principle of inducing private capital to come here to develop the natural resources of the country may appear to be somewhat different from the idea of obtaining a foreign loan. Actually this is not so as the loan and the public works resulting, offer in themselves a part of the inducement desired. The question of a loan, its desirability and necessity as distinguished from ordinary inducements to foreign capital, I will cover in my next paragraphs.

14. The third principle (*c*) The Determination of the Country to Renew Its Acceptance of American Superiority of Interest Over the

Interest of Other Foreign Countries. This question may appear to be very closely allied with the question of entry into the American economic field and yet in a strict sense it is only recently that this has been so considered. The people of Liberia originally sought aid from America in order to establish themselves on this coast and repel the native tribesmen, and that aid was forthcoming through the American Colonization Society. Later, there was a decided attempt to unite this country with the United States of America either as a territory or in the form of a protectorate. These attempts to make closer the association between the two countries were never based on the desire for the development of the country's resources. They were purely and simply attempts to secure protection of a stronger power on the part of a weaker power who felt that it needed that protection in order to develop its strength; that it needed protection in order to be able to turn its ideas to any other things than war and self-defence. In 1917, this idea was again expressed by the Liberian Republic in the original 1917 loan, or in the "American Program" as it was called.^{17a}

15. In 1921, there was a different feeling shown in the relations between the United States of America and Liberia because the relationship contemplated under the 1921 loan agreement incorporated the idea of economic development although the idea of protection was never lost sight of. The loan was defeated in the Senate of the United States and the Liberian Government followed your Excellency's idea of not seeking a foreign loan until this country had shown its ability to succeed or had at least demonstrated its ability to develop to such an extent that the Executive Government could exactly determine the degree of necessity of a foreign loan.

16. In 1923, upon my return from Europe, your Excellency had decided that in spite of the very manifest and successful efforts of the people of this country, it was apparent that a certain protection on one hand and assistance on the other were necessary if the people were to be satisfied and not discouraged by the slowness of their effort and the lack of sympathy manifested in certain foreign quarters. I refer particularly to your Excellency's communication addressed to the Honorable Fred Morris Dearing, American Minister to the Republic of Portugal.¹⁸

17. When I returned from leave in 1924, I was able to lay before your Excellency a very clear statement of the necessity of a fixation of American interest in this country if public works and other development was [*were*] to be undertaken through the assistance of a foreign loan obtained in the United States. From the numerous

^{17a} See *Foreign Relations*, 1917, pp. 877 ff.

¹⁸ Assistant Secretary of State at the time of President King's visit to America in connection with the proposed loan of 1921.

interviews I had had both in Europe and the United States, I ascertained that the present resources of this country were not sufficient to offer very much security to bankers and it seemed to be inevitable that a loan obtained through private bankers must be at a high premium and must to a great extent carry itself from its own capital for the first several years before the resources of the country could be expected to be developed.

18. If your Excellency will recall, I pointed out that the investment of the very large amount of capital offered by the Firestone Tire & Rubber Company for plantation development would at once put a different phase in this situation. The amounts that the Firestone Tire & Rubber Company offered to pay the Government form but a small percentage of the benefit to the Government. I mean that the employment of some thousands of laborers, the increased use of the roads, the increased calls of ships to handle the export, the increased demand for skilled labor, and the putting into circulation of many hundreds of thousands of dollars annually, mean a swelling of the income of the Government in every direction not only from the ability of the citizens to pay taxes but from their increased consumption of necessities and luxuries. A condition of economic prosperity to thousands of individuals in this country obviously puts a different face on the aspect of a foreign loan so far as the ability to meet its obligations is concerned.

19. The Firestone Tire & Rubber Company came to Liberia seeking three things as the foundation on which it could determine whether it could do business in this country profitably and successfully. The first question to be considered was, could the Republic produce rubber, that is, was its rainfall, its climate and its soil suited to rubber production.

20. The second question to be considered was, granted that the first was satisfactory, was the Government animated by a desire to have such a development and if so, would it express that attitude concretely in the form of satisfactory terms which would permit production on a competitive basis with the Far East and Brazil.

21. The third question was security. In other words, if the rain and the climate and the soil, after experimentation was decided to be suitable for rubber production, and if the country was prepared to grant terms which permit competitive production, then came the third and last question which determines whether or not this Company will carry on its affairs in Liberia. That question was and is, is the territorial sovereignty of Liberia secured. Or, putting the question in another way, can this Company assure itself of the continuation of the Government of Liberia as a stable, autonomous Government.

22. Incidentally and closely associated with all of these questions is the question of whether or not the Liberian Government is prepared

to undertake construction necessary for public improvements, to develop its Sanitary Department on modern lines, to train agriculturists, and in other words, to progressively develop as other countries have developed and to meet and pay those expenses and obligations which could not be considered to be any part of the proper and ordinary cost of the production of rubber to be paid by the Company itself.

23. The statements contained in the foregoing paragraphs may appear to digress somewhat from the subject under discussion. Nevertheless, it is not so, because the study which the Firestone Tire & Rubber Company has made of Liberian conditions has brought that Company, as evidenced by its new draft agreements, into very much the same state of mind as led your Excellency to re-open the conversations with the United States Government on the subject of Liberian development in the letter to the Honorable Fred Morris Dearing above referred to, and in a conference had with the writer in November 1924 the details of which were communicated to the American Government.

24. We must presume from the fact that after having had experts examine the conditions in Liberia, the Firestone Company has submitted completed and signed proposals, that the question as to rainfall, climate and soil has been answered satisfactorily; that as an analysis of the new agreements shows relatively little change from the terms of the original draft Agreements tentatively offered last June, that the question as to the willingness of the Government and Legislators is considered to be entirely satisfactory and even were this not so, the action of the last Legislature definitely proves the willingness and desire of the people of this Republic to offer what appears to be fair terms to the investment of foreign capital. I am perfectly aware that certain comparatively new paragraphs have been inserted in these Agreements and some changes made in the financial conditions, but after all these are not modifications of principles and are matters for discussion after the larger questions at issue have been definitely decided.

25. There then remains the third question, that of security. Security comprehends not only the autonomy of this nation, but more, it means that the progress and administration of national affairs shall continue in an orderly fashion. Very obviously no large capital investment from foreign sources can be expected unless prospective investors can be fully satisfied on these points. I remember, when I was in Washington, the Firestone Company sent some representatives to interview one of the higher officers there and asked the question, what protection could the Company expect if it invested its capital in Liberia. For an answer, the Company was referred to the existing treaties: that of Commerce and Amity, containing the

most favored nation clause represented the only conditions under which the United States Government could exercise any interference or protection in this country. Questions have been asked as to public works development and as to the ability of this country to build roads, bridges and maintain a duly qualified Physician and medical force for Sanitary purposes, and to these questions, and to others of like character, the replies have not been satisfactory because the country has not been financially able to do these things from its current revenues nor is there any prospect of it being able to do these things for the next several years to come unless a loan is sought. To an analysis of the existing conditions, therefore, only one answer could be made, namely, that from some source if these things were to be done, a loan must be secured.

26. The conditions of the granting of loans to small countries throughout the world are matters of public record and the reference works of the big financial institutions render them easy of access for any one seeking information thereon. Looking at these terms and at the fact that almost inevitably they provide for foreign advisers, foreign officials, or control and administrative officers appointed by foreign banks and Governments, it appears to be only logical and to be expected that conditions and terms for Liberia, where conditions and circumstances are analogous to these other countries, would be similar. It was inevitable that the question should be asked by the Firestone Company, would this new element which it foresaw must become a factor in Liberian affairs be a force which would fit into the economic field in which it was conceived Liberia would be entering. What nation would furnish it and for what reasons. What conditions would be imposed. Would they interfere with the plantation business in this country.

27. Looking at the history of Liberia's relations with the United States, the most important point would be the 1921 Loan Agreement. This Agreement had been considered satisfactory to Liberia. It had been signed by its highest officials and it had become a law by virtue of the approval of the Liberian Legislature of 1921/22. This Loan Agreement saddled the country with no charges for floatation. It aimed at development, it provided impartial officials and what was more important, possibly, was the fact that by virtue of the Memorandum entered into at Versailles in July 1919 by Representatives of Great Britain, France, the United States and Liberia, it recognized on the part of Great Britain and France the close association between Liberia and the United States of America; the right of Liberia to call on the United States as its next friend and the right of the United States to answer that call. As a diplomatic foundation, it was perfect.

28. As I see the situation, the only thing that could be done which would at once place both the Republic of Liberia and the Firestone Tire & Rubber Company's investment in the position of security desired was to attempt to revive the conditions that existed at the time the 1921 Loan Agreement was in contemplation, and to do this, the consent of the American State Department had to be sought. Would the Secretary of State of the United States again assume the obligations to be assumed by the American State Department under the loan plan of 1921? That the answer to this, by the American Secretary of State was favourable, cannot be doubted from the fact that the Firestone Company is content to offer signed Agreements. Further, I have been informed by Mr. Hines that his Company is in possession of a letter from the American Secretary of State on this subject,¹⁹ although I have not seen the letter. Since that consent of Mr. Hughes has been secured, Mr. Hughes has resigned. Mr. Hughes' successor will of course feel himself as morally and ethically bound by Mr. Hughes consent, but whether he will consider himself so obligated should new modifications render it necessary to re-submit these Agreements to the State Department remains to be seen. The first is a question which may be regarded as settled, the second is a situation calling for an expression from the new Secretary as to his own determined policy which may or may not be the same as that of Mr. Hughes. It is a new factor in the situation and one that must be considered.

29. Discussing the subject of the incorporation of the loan basis of 1921 in the present Agreements, from the view-point of principle, I find the idea excellent and the advantage to Liberia is an advantage which is greater than Liberia has ever sought in her previous negotiations, although obviously, it is the advantage which it was hoped the public works and progress planned under the 1921 loan might in its last result bring to the citizens of this country. To express myself clearly, I mean, that the Firestone Company's plan incorporates in one single Agreement, commercial prosperity to the merchants, the employment of thousands of citizens, revenues to the country both direct and indirect, and lastly, a foreign loan for immediate public works, education and various other things which this country ardently desires.

30. Knowing your Excellency's thought on many of these subjects, from your Excellency's conversations and confidence, and referring particularly to the conversation had with your Excellency and the Secretary of State on the subject of foreign loans, as a result of which I wrote Washington in November 1924,²⁰ I realise that there were

¹⁹ *Ante*, p. 403.

²⁰ Not printed.

faults in the American Loan in itself which needed correction and I realise perfectly well that there have been some changes, in fact great changes, in Liberia in the last several years. I believe, however, that a study of the situation will bring your Excellency to the same conclusion at which I have arrived, that is, that inasmuch as the amount of money specifically mentioned in the Firestone Agreement, viz:—two to five million dollars, is a reduction of the original 1921 loan plan, it must mean a corresponding reduction in the number of foreign employees and in certain other of the disbursement and expenditure clauses when the time comes to enter into a completed Loan Agreement.

31. Further, and this is important too, the Firestone Agreement is open notice to foreign nations of the renewed interest of the United States of America in Liberian affairs under the July [June] 1919 Memorandum.²¹

32. I have stated in my opinion that I will confine myself to the principles involved. This I have done. I have several suggestions on certain aspects and phases of this situation which I would be glad to discuss if your Excellency cares to go further into the matter, but to my mind, I do not find the Firestone proposals unreasonable nor unnecessary nor do I find them to be so far from the Administration's desires and ideals as to be incompatible with the plans for the progress of this country as laid down by your Excellency's Administration. The principles embodied in the No. 2 Agreement, I consider as meriting approval. I have not considered the other two Agreements as these are relatively unimportant except as a part of the No. 2 Agreement.

33. I therefore recommend to your Excellency the acceptance of the plans incorporated in the Firestone Company's scheme as set out in the several Agreements under discussion.

I have [etc.]

S. DE LA RUE

882.6176 F 51/23 : Telegram

The Secretary of State to the Clerk in Charge of the Legation at Monrovia (Wall)

[Paraphrase]

WASHINGTON, March 5, 1925—10 p. m.

3. Your telegram No. 5, February 23, 2 p. m. Department would not be inclined to pass on projected loan before matter is submitted through usual channels by American bankers interested. Refer to enclosure in Department's circular instruction dated May 16, 1922.²²

²¹ *Foreign Relations*, 1919, vol. II, p. 486.

²² See press release issued by the Department Mar. 3, 1922, *ibid.*, 1922, vol. I, p. 557.

Terms of loan contracts are primarily subject of business negotiation between Liberian Government and American interests concerned. The position of the Department with respect to any loan to Liberia has been made clear to Firestone. Mr. Hood is fully informed. Discussion of details of any projected loan is considered premature prior to approval of rubber concession. However, this seems a matter for decision of Liberian Government and Firestone.

KELLOGG

882.6176 F 51/87

Mr. Harvey S. Firestone to the Chief of the Division of Western European Affairs (Castle)

MIAMI BEACH, FLA., *March 12, 1925.*

[Received March 17.]

DEAR MR. CASTLE: I am in receipt of a telegram from Mr. Felber, copy of which I enclose.²³ I also enclose copies of cables received from Mr. Hines and copies of my replies;²⁴ all of which is for your confidential information.

I note Mr. Wall, who is Acting Minister to Liberia,²⁵ stated that the Cabinet objected to loan negotiation clause being included in the Agreements, but that the Liberian Secretary of State believes authorization for loan agreement on same terms except reducing the number of control officers and modifications on other points necessary by reason of reduced amount, might be entered into as separate document.

I have special reasons why I do not want any change made in the loan agreement. As you realize, to negotiate a new loan agreement would take time and in my appeal for investment of capital it will be very helpful to refer to the loan agreement that was negotiated by the United States Government, but when we actually come to make the loan agreement, the United States Government agreement would simply be a guide and we could eliminate any uneconomical or objectionable features that should be eliminated, and this would only form as a basis on which a loan will be made them. I trust that you will urge upon American representatives in Liberia to do everything in their power to have the Agreement accepted as it is, and at as early a date as possible.

I note that Mr. Wall also asks for statistical information on rubber companies payments to other governments for plantation privi-

²³ Telegram not printed; Mark L. Felber was the Firestone representative at Washington.

²⁴ Not printed.

²⁵ Wall was actually clerk in charge of the Legation at Monrovia.

leges or export charges in order to determine fairness Firestone modifying terms. I am glad that you have agreed not to send these figures.²⁶ I do not believe it advisable for either Liberian Government or ourselves to send such figures as it will only tend to bring up an argument and place them in the hands of people in Liberia who are not interested in having our Agreements approved by the Liberian Government.

I know you understand the situation and will handle the entire matter to the best interest of all.

I believe it will be interesting to you to know that I sent Mr. Felber to see Secretary Hoover and advise him that if they would modify the Middle East Rubber Survey report and possibly the Philippine report that we would be glad to cooperate with the Department of Commerce Rubber Survey and furnish them reports on surveys we made in the Philippine Islands, Mexico, Central America and Liberia, and endeavor to make the United States Government Rubber Survey the basis on which rubber planting by America was started. After very careful consideration I decided that if Secretary Hoover would give us the right cooperation that it would work out very much better for American interests.

I don't know if you realize it, but with the restriction on production there is already a shortage of rubber and the price is advancing steadily. Therefore, it is important that we get into active operation at as early a date as possible.

I am having a most delightful vacation here on Miami Beach—the playground of the world. On my return will be in Washington about the 3d of April and I hope to have the pleasure of seeing you.

Yours very truly,

HARVEY S. FIRESTONE

882.6176 F 51/23 : Telegram

The Secretary of State to the Clerk in Charge of the Legation at Monrovia (Wall)

WASHINGTON, March 17, 1925—7 p. m.

4. Your 5, February 23, 2 p. m. Please inform De la Rue that Department has discussed loan provision with Firestone informally. Firestone not willing that any change be made in loan provision in agreement which he considers an important factor in raising large capital. He states that any objectionable or uneconomic features of 1921 loan plan can be eliminated or changed later when the loan agreement is actually effected. He has cabled Hines in this sense.

KELLOGG

²⁶ Apparently a misunderstanding on Mr. Firestone's part, as the figures were sent to the General Receiver of Customs of Liberia on March 28; see p. 419.

882.6176 F 51/24

The Chief of the Division of Western European Affairs (Castle) to the General Receiver of Customs of Liberia (De la Rue)

WASHINGTON, *March 28, 1925.*

MY DEAR MR. DE LA RUE: In answer to the telegram of February 25th from the Legation, in which you ask statistical information on rubber companies' payments to governments, etc., I pass on the following:

In the first place, the Department of Commerce is making a survey of the crude rubber situation, but this survey has not yet been put into such form that publication is possible. Commerce states, however, that there is some information as to land rents per acre.

In British Malaya, the price goes up to \$2.00; in Sumatra, it is about 8 cents for the first year, rising to 48 cents in the sixth and following years; in Cochin China, it is 29 cents; in Java, 21 cents; in Borneo, free for the first six years, 25 cents for the next four years and thereafter \$2.00; in the Philippines the annual rent is 3 per cent of the appraised value of the land, subject to change every ten years. The British Colonies have an export tax of one cent a pound, but in all other countries there is no export tax whatever.

As to the length of the leases, those in Sumatra are for 75 years, subject to renewal of 50 years more, the area is unlimited; in British Malaya there are unlimited areas and the leases are in perpetuity; in the Philippines the leases are limited to 2,530 acres for 25 years, subject to renewal for two additional periods of 25 years each.

It should be pointed out, however, that the question immediately arises as to whether the foregoing figures fairly constitute comparable statistics. The territories mentioned are proven ground and may perhaps not properly be compared with Liberia where the possibility of successful production has not been demonstrated. We have no idea what rents and taxes, if any, were imposed originally in these territories since such figures, if available, have not been furnished us. The best comparison would, as you will see, necessarily be with rents and taxes in absolutely new and untried areas.

Other facts also are to be taken into consideration and with regard to some of these Liberia may be at a disadvantage. Labor must be taken into consideration, also shipping and other communication facilities, climatic conditions, etc.

The Department hopes strongly that a suitable agreement may be reached. It is my own hope that even before this letter reaches you the contracts may have been made effective. It is very clear that if such agreements can be reached and if in consequence successful production of rubber is effected, this would tend not only to benefit

American consumers of rubber who are now dependent on a foreign controlled supply, but also must be of very great material advantage to Liberia, both economically and financially regardless of the immediate or direct financial benefits accruing to the country through the contracts.

The Department will, of course, forward to you the Commerce survey of the situation when and if it is published. I cannot help feeling that it would be very unfortunate to supply figures as to rent, etc. to the Liberian Government without proper comment which would point out the possible, if not probable, differences in the situation there and in countries where the commercial production of rubber has been proved profitable.

Very sincerely,

WM. R. CASTLE, JR.

882.6176 F 51/25a : Telegram

The Acting Secretary of State to the Clerk in Charge of the Legation at Monrovia (Wall)

WASHINGTON, April 10, 1925—2 p. m.

7. Firestone said in a recent talk with an officer of the Department that he has cabled Hines to urge ratification of contracts by April 15. Firestone anxious to begin immediately large scale operations which will be of great advantage to Liberia in development of industry, port of Monrovia and roads. Please inform Department promptly when contracts are ratified. Department hopes early agreement may be reached on satisfactory basis.

GREW

882.6176 F 51/29 : Telegram

The Minister in Liberia (Hood) to the Secretary of State

MONROVIA, April 24, 1925—11 a. m.

[Received 4:40 p. m.]

11. Department's attitude presented to the Liberian Government as follows: Department's continued solicitude and interest in Liberia shown by the careful examination and approval of Firestone contracts; by the prolonged stay of Minister in the United States until such careful and favorable consideration should be given; by personal conferences at the Department to enable the Minister to represent to the Liberian Government Department's benevolent interest in this matter to the extent that the Department was desirous of giving such moral support as would aid Liberian rehabilitation. The Department considered the Firestone contracts as a means through

which the same ends which had been contemplated in the Government loan could be accomplished.

Can any Departmental expression be sent that may be transmitted or interpreted to the Liberian Government which would give such an expression from the Department as would make the Liberian Government know it manifested interest and moral support as represented to them by the American Minister involving practical assistance in working the rehabilitation of Liberia by the bankers' loan through Firestone?

HOOD

882.6176 F 51/48

*The Liberian Secretary of State (Barclay) to Mr. W. D. Hines*²⁷

MONROVIA, April 27, 1925.

SIR: I have the honour to advise you that the Government of Liberia have given due consideration to the Agreements in relation to your Principal's prospective rubber and other enterprises in Liberia which were submitted by you on the 19th of February, 1925,^{27a} and are of the opinion that the Agreements, with the exceptions hereinafter noted, furnish acceptable bases for their endorsement of the Firestone operations in the Republic.

The Government regret exceedingly to find themselves unable to accept these Agreements in their entirety. The reason for this, is that a very careful examination of them discloses the surprising fact that in aspects which the Government of Liberia consider fundamental they depart from the understanding reached as a result of the protracted negotiations last year when in a letter to the Secretary of State dated June 19, 1924,²⁸ he was given to understand by you that the documents then submitted by him represented terms and conditions mutually acceptable. This impression was emphasized by Mr. Firestone's cablegram to President King dated December 24, 1924,²⁹ by which His Excellency was advised in express terms that the Agreements were approved.

By these unqualified declarations the President was led to submit to the Liberian Legislature the Agreements arrived at in 1924. This Department of the Government gave the necessary approval to the executory agreements and authorized the Executive to execute them substantially in the form in which they had been submitted.

Up to the approval of the Agreements by the Legislature this Government was of the opinion that the mutuality which is a necessary

²⁷ Copy transmitted to the Department by the Minister in Liberia under covering despatch of June 5; received July 7.

^{27a} See drafts, pp. 389-403.

²⁸ *Ante*, p. 368.

²⁹ Not found in Department files.

prerequisite to all agreements, existed between your Principals and them. The introduction of matters into the documents you have recently submitted, matters which at the time of our first discussions were neither directly nor even remotely suggested or contemplated,—destroys in large measure our previous understandings and, unless eliminated would tend to reopen the discussion as to terms and conditions.

The Government would consider this as undesirable in every point of view, and are therefore willing and ready, as I have already intimated to sign an agreement from which the unforeseen provisions have been eliminated.

I desire to make it clear that the objections to which I am referring have no relations at all to the rents, royalties or rate of revenue tax which your Principal or his assigns might have to pay; for the Government are not desirous of imposing any conditions which would render it economically impossible for you to produce rubber in competition with other rubber producing countries. The principal objections which are found to your proposals are:

(a) The word *supplies* employed in Article II, clause (a) of Agreement Number Two and in the similar provision of Agreement Number One, must be used in a restrictive sense, and the supplies contemplated under such provisions must have direct relation to agriculture and not an indirect relation. The other exemptions included in your proposals under this clause are too far-reaching for the Government to bind themselves in the terms there stated. It is hoped that this provision will remain as stated in the accompanying document.^{29a}

(b) The same observation it is thought must apply to clause (b) of Article II of Agreement Number Two of your proposals.

(c) The Government does not see its way to grant the Lessee railway rights outside the lands leased by him and therefore have eliminated that right from clause (d) of your proposals.

(d) Paragraph (e) it is suggested must be modified conformable with the accompanying document.

(e) Paragraph (g) should similarly be modified to include every operation other than agricultural as the general idea underlying the grants made to this Agreement is that they apply absolutely to agricultural enterprises.

(f) As to Article III (d) I must respectfully insist upon the view expressed to you, Mr. Cheeks and Mr. Ross by the President when you had an interview with His Excellency last year, to the effect that this Government in no circumstance will place itself under financial obligations to your Company. This is a matter of fundamental policy and it is hoped you will not insist upon provisions which would em-

^{29a} No enclosures found with file copy.

barrass the Government in their loyal desire to reach an acceptable accord with your Principal. This provision carries within it the elements of future misunderstandings. This is undesirable. The Government desire an agreement which will, as far as possible, be automatic in its working and prefer even at the risk of some future loss not to introduce conditions that have to be interpreted, construed and eventually submitted to the final arbitrament of a foreign Government. To avoid this, this Government would infinitely prefer that the payments to be made by the Lessee shall be at a flat rate which should obtain during the life of the Agreement.

(g) It is thought that the ultimate clauses of paragraph (e) Agreement Number Two Article III are open to exception on the ground that they represent an attempted restraint upon certain inherent sovereign powers of this Government and imply the existence within this Republic of a condition of tax aberration which is not in accord with fact nor conforms to our ideas of ordered Government. The provision of the original Agreement in this point of view would therefore seem to be preferable, as under it all details might be worked out in accord with the Treasury Department.

(h) The Government in concluding an agreement with your principal have acted upon the assumption that he or his assigns will have on the spot an Agent fully empowered and authorized to deal with all matters arising under the Agreements. It is therefore difficult to understand, if the Government's view is correct, why clause (f) of Article III should foresee a system of notices to be served in America whilst an authorized Agent of the Lessee is immediately accessible locally. The Government whilst being in accord with your view that no technical reason should be construed as a default, submit the provisions of the accompanying document as a more acceptable formula.

(i) Article IV, Agreement II, (e) would be more acceptable to the Government if framed as in the accompanying document.

(j) The Government find themselves unable to accept clause (k) of this Article. The object of its inclusion as stated by you in our first interview, viz., to furnish the Government with funds to carry out the necessary improvement in transportation facilities without imposing this charge upon the capital resources of your Principal or his Assigns, recommend[s] itself to the Government as reasonable in every point of view. But this Government would find itself embarrassed if they were to use the intermediation of a private concern operating in Liberia under grants from the Government for this purpose, and if they were to secure the loan upon the condition of an agreement the terms of which are impracticable. Your Principal, however, may be assured that, recognizing as the Executive Government do the intimate connection between means of transport and

economic development, they will use every endeavour within the next few years with the assistance of the American Department of State to secure in America, if possible, funds necessary for this purpose, provided the terms and the conditions be such as may be satisfactory to the Legislature of Liberia. They will have no objection to those interested in your proposals giving any assistance or participating in the flotation of such a loan. In view of this assurance, the Government would be pleased if you could appreciate their point of view and understanding why they must insist upon the elimination of clause (*k*).

As a result of the observations made in the last paragraph it is thought that as your principal would not be called upon to undertake any obligation under Agreement Number Three that Agreement should be considered as cancelled.

The observations made with reference to Agreement Number Two apply to similar provisions of Agreement Number One.

I have [etc.]

[EDWIN BARCLAY]

882.6176 F 51/48

*The Liberian Secretary of State (Barclay) to the American Minister (Hood)*³⁰

432/D

MONROVIA, April 28, 1925.

MR. MINISTER: In view of the interest which your Department of State has taken in the proposals made by Harvey S. Firestone to this Government, I deem it advisable to acquaint you with the present posture of this affair in order that you might be authoritatively informed of the views of the Liberian Government. For this purpose I herewith enclose a copy of the letter which I addressed Mr. Hines yesterday,³¹ and desire by this present dispatch to emphasize the observations made in my letter to Mr. Firestone's representative.

As I had occasion to observe in that letter the matter of direct money returns from Mr. Firestone's operations in Liberia is of minor concern to this Government. Frankly, what it has been hoped the Republic would gain from the encouragement of large American investments in the country is a counterpois[e] to other menacingly aggressive interests already established in this country, a balancing of foreign influences here and a new economic impulse.

Influenced by these ideas the Government have been disposed to be as liberal in the grant of rights in connection with rubber-production as is consistent with their views of the present [and] future interests of the country.

³⁰ Copy transmitted to the Department by the Minister in Liberia under covering despatch of June 5, 1925; received July 7.

³¹ *Supra*.

There are, however, several provisions in the Agreements brought out by Mr. Hines which were neither contemplated nor even remotely suggested in the discussions I had the honour of having with that gentleman in June last year. The understandings we then arrived at were stated both by him and his Principal as being acceptable terms upon which the prospective Lessee could operate in Liberia. The new provisions have been encouched in the Agreements without any notice to this Government and without any previous ascertainment of their possible acceptance. Nevertheless, upon the arrival of Mr. Hines with, in some respect, absolutely new terms, the Liberian Government is expected to place its signature to them without even exercising the right of considering their bearing upon the national interests as this Government interprets them.

The most important of these new proposals is that relating to the question of a loan. The fundamental position which the Liberian Government take upon this question is that it is politically inadvisable in their view to place the Republic under financial obligations to any private concern operating in the country under grants from the Government. This is a line of policy from which there can be no departure. Secondly, in the changed conditions which now obtain in the country, no loan could be negotiated with a private concern upon the terms and conditions of the Agreement negotiated by the Liberian Mission to the United States in 1921. The reason being that any rights the Liberian Government, for political purposes, would be willing with every confidence to accord to the Government of the United States, or any obligations which they would be willing to assume *vis-a-vis* said Government, they could find themselves able neither to accord nor undertake towards a private concern, however well recommended. Bearing this in mind you can easily see why it has been urged that the question of a loan be taken up in a separate Agreement in which the terms and conditions could be worked out, and that it be eliminated from the present Agreement in which it has no logical place.

I have to emphasize the point that the Government of Liberia do not refuse the assistance of the American State Department in securing the funds necessary to the rapid development of internal works of public utility. On the contrary my Government would be more than appreciative of any benevolent assistance in this direction of which they might be recipients. They nevertheless must urge that the money be secured from sources other than a corporation or individual operating commercially in Liberia, and upon terms and conditions which would be practical, and would also be likely to meet with acceptance by the people of this country.

I should be infinitely obliged if the point of view herein expressed could be placed before your Department of State.

I enclose herewith a copy of my letter to Mr. Hines.

With sentiments of distinguished consideration,

I have [etc.]

EDWIN BARCLAY

882.6176 F 51/93

The Secretary to the President (Sanders) to the Chief of the Division of Western European Affairs (Castle)

WASHINGTON, April 30, 1925.

MY DEAR MR. CASTLE: The President directs me to send you the accompanying telegram from Mr. Harvey S. Firestone, Akron, Ohio, in the matter of securing the signature of the Liberian Government to the rubber planting agreements which were approved by the State Department.

Sincerely yours,

EVERETT SANDERS

[Enclosure—Telegram]

Mr. Harvey S. Firestone to President Coolidge

AKRON, OHIO, April 30, 1925—12:19 p. m.

I am having difficulty in securing signature of Liberian Government to the rubber planting agreements which were approved by the State Department. I am asking Mr. W. R. Castle for assistance. Knowing your interest in this rubber development I am taking liberty of advising you of the situation. Personal regards.

HARVEY S. FIRESTONE

882.6176 F 51/29 : Telegram

The Secretary of State to the Minister in Liberia (Hood)

WASHINGTON, May 1, 1925—6 p. m.

8. Your 11, April 24, 11 a. m.

(1) Department presumes you have sufficiently made clear, as explained to you while in Washington, that loan by this Government is impossible and that the Department, while hoping that a proper basis may be found on which Firestone and the Liberian Government might agree with reference to the concessions in question, and while in principle perceiving no objection in the light of its present information to a loan for the purpose of Liberian rehabilitation, must obviously reserve an expression of its views until the specific terms of the loan contract have been submitted to it. Department's position in this regard was made clear to Firestone at

the time Department informed him that it had no objection to the draft concession. Subsequently Firestone informed Department that any objectionable or uneconomic features of 1921 loan plan referred to in the loan clause of the draft contract could be eliminated or changed later when the loan agreement is actually effected. You may make discreet use of the foregoing in conversations with officials of the Liberian Government if you think it advisable to do so.

(2) You may inform the Liberian Government in writing to the following effect: The Department awaits with sympathetic interest the conclusion of the Firestone contracts and earnestly believes that successful establishment of the rubber industry in Liberia will tend to promote the country's welfare by contributing to the development of its resources and open the door for further progress by bringing stimulus and prosperity to the Liberian people. Mr. Firestone has assured the Department that as soon as the contracts are in effect there will be money available for necessary public works such as roads and ports. Furthermore, the Department would be willing to give appropriate assistance and at the request of Liberia and of the American interests concerned would be prepared again to assist in the selection of a Receiver General of Customs.

The interest of the Department in the conclusion of these contracts may be taken by the Liberian Government as proof of its continuing friendly interest in Liberia. It would seem, therefore, most unfortunate should a disagreement as to the exact terms of a loan prevent or delay the conclusion of a contract which will in all probability be of immense advantage to Liberia.

(3) Please show this telegram to Hines and De la Rue for their information.

KELLOGG

882.6176 F 51/34

The Minister Resident and Consul General at Monrovia (Hood)
to the Secretary of State

No. 146
Consular

MONROVIA, May 2, 1925.

[Received May 27.]

SIR: This Consulate General has the honor in confirmation of its cablegram number 11, dated April 24, 1925, setting forth the attitude of the Liberian Government on the Firestone Agreements, to report as follows:

This Consulate General presented to the Liberian Government in the strongest conservative manner possible, the Department's hope that an early agreement between them and the Firestone Co., might be reached on a satisfactory basis, also Department's interest in Liberia becoming a rubber producing center. That this interest was

not in any particular Company, but in the general trade development of the United States.

It was further stated that even the general trade development was not the sole motive, but that the Department by this means desired to show its benevolent interest in Liberia.

Since Liberia had already asked the assistance of the United States in a way which not only involved financial aid, but moral support, the Department having carefully gone over the Firestone contract felt that all that had been previously contemplated in loan of 1921 might be accomplished through these Firestone Agreements. That the Department so far as it legitimately or consistently could, was anxious to use its goodly [*sic*] offices to aid in the rehabilitation of Liberia.

Numerous conferences were held with the President & Secretary of State, who said they were very thankful to be reassured of the benevolent interest of the American Government. That they needed a loan and the United States was the only source to which they felt safe to apply, but they seemed unalterably and unequivocally opposed to arranging it with any Company doing business in this country. The effort was very strenuously made by this Consulate to give the most positive assurance of the honest motives and high moral standards of the Firestone Company. This was met by the reply that there was no disposition in any way to reflect upon this Company nor discredit its sincere intentions, but no one could anticipate what changes in its personnel might come in the future and that it was an established and set principle of the Liberian Government from past unfortunate experiences, not to place itself under obligations by contract to any firm or corporation doing business in Liberia, by negotiating loans with them.

When asked whether they had any objection to Mr. Firestone as an individual, taking the lead in any group to raise the money and make the loan, they answered positively, "We have none".

They further say that there are terms and conditions in the loan of 1921 to which they could never again accede. That the present sentiment of the country would not permit the signing of a loan agreement upon the same terms and conditions of that of 1921. When told that the 1921 loan agreement would serve as a model to follow and there necessarily would be changes and modifications made in a loan now as compared with the 1921 terms and conditions, their reply was "Once they had signed this contract with the stipulation as set forth in Agreement Number 2, Article 4, paragraph *k*, they could be required to negotiate a loan agreement with the Firestone Company exactly upon all the terms and conditions of the loan of five million dollars which was contemplated in the proposed agreement between

the Government of Liberia and the Government of the United States in 1921. Another objection was, the stipulation in agreement number 1, article 2, paragraph *e*,³² they wish to change this paragraph in such a way as to eliminate the necessity of ever having to arrange for arbitration. They wish to eliminate that part which provides for certain rates after fifty years etc.

There are thus four things which after much deliberations [*sic*] of the President and his cabinet, conversations with Mr. W. D. Hines, Firestone's representative, and conferences between the President, the Secretary of State and this Consulate which the Liberian Government hold as fundamental reasons why they cannot sign these agreements in their present form.

1. That the agreements now before them come with entirely new propositions which were not in those Mr. Hines took to America at first for the approval of his principals.

2. That the Liberian Government is opposed, and the sentiment of the country would be decidedly averse to a loan upon the terms and conditions of the proposed loan of 1921.

3. That they do not wish to make a loan that will put the Government of Liberia under financial obligations to a firm or corporation doing business in Liberia.

4. That they do need a loan and would be glad to enter into negotiations with an American group of Bankers of which Mr. Firestone should be if necessary the leading spirit and make an agreement separate and apart as a distinct thing from the rubber contract.

I have [etc.]

SOLOMON PORTER HOOD

882.6176 F 51/33 : Telegram

Mr. Harvey S. Firestone to Mr. W. D. Hines ³³

AKRON, OHIO, *May 11, 1925.*

Desire you remain. Cable outline proposed changes leaving agreements intact. Mail full confirmations promptly. Changes ninety nine to fifty years with renewal made request Secretary Hughes more fair Liberia, I consented.

Impossible make loan unless Liberian finances are administered by parties making loan. Liberia fortunate having our Government take responsibility helping administer loan. If they could understand our

³² Referring to a plan for arbitration by the American Secretary of State in revision of rents after the first 50-year period of the lease; see p. 389.

³³ Copy transmitted to the Department by Harvey S. Firestone under covering letter of May 12, 1925.

Government and my desire have agreements fair and workable there could be no objections agreements as submitted. We have no thought or desire of depriving them of their independence. I trust no suggestion is made that will disturb confidence.

British Restriction Act irritating Americans. Rubber today 60 cents. Reported British rubber manufacturers appear in Parliament tomorrow petitioning rescinding of restriction act. This sure come sooner or later. We will lose our opportunity for raising large capital.

HARVEY S. FIRESTONE

882.6176 F 51/30 : Telegram

The Minister in Liberia (Hood) to the Secretary of State

[Paraphrase]

MONROVIA, May 13, 1925—2 p. m.

[Received 6:42 p. m.]

13. Department's cable 8, May 1, 6 p. m. The Government of Liberia desires me to transmit the following:

"The Government of Liberia fully sensing and appreciating the sympathetic interest shown by the United States Government in all that affects the welfare of the Liberian Republic, feel it is due to both Governments that the point of view of Liberia be always frankly explained to the Department of State. The Liberian Government's point of view on certain provisions of the Firestone agreements which are open to objection on grounds of [apparent omission], was covered fully in their opinion in despatch No. 432/D of April 28, 1925,⁸⁴ replying to your telegram to the American Minister at Monrovia. These cause the most serious objections to proposed loan.

The basic position taken by the Liberian Government on this question is that it is not politically advisable in their opinion to place the Republic of Liberia under financial obligations to private interests operating in Liberia under grants from the Liberian Government.

This is a policy which seems vital to the future of the Republic and which the Liberian Government could be with difficulty persuaded to change.

Secondly, the Government feels and always has felt that no loan should be arranged with private interests under the terms and conditions negotiated by the Liberian mission to the United States in 1921. Any rights which the Liberian Government for political reasons would willingly accord to the American Government or any obligations which they would be willing to assume *vis-à-vis* that Govern-

⁸⁴ *Ante*, p. 424.

ment, they would not be willing to grant or undertake toward private interests, even though well recommended.

It is hoped that the American Department of State approves the reasons which my Government urge, that the loan question be taken up in a separate agreement, of which the conditions and terms might be arranged and that the projected loan be omitted from the present agreement in which it seems to have no logical place.

If, however, the American Government, after having accorded sympathetic consideration to the above-stated views considers it advisable that the loan be obtained through the agency of Mr. Firestone, the Liberian Government at the proper time would be willing to supply him with the powers necessary to authorize him to commence preliminary negotiations for the loan and would assemble the Legislature with the object of considering the contracts. Edwin Barclay.”

Hood

882.6176 F 51/31 : Telegram

The Minister in Liberia (Hood) to the Secretary of State

[Paraphrase]

MONROVIA, May 22, 1925—11 a. m.

[Received 1:13 p. m.]

14. The Government of Liberia requests that I transmit this additional explanation, which embodies its interpretation of the Firestone agreements. The main points of this addendum are as follows:

The Liberian Government affirms that a loan is to be raised in the United States, but one not following all the terms and conditions of the 1921 plan. The Government would assign the revenues of the Republic as security and would authorize the appointment of officers to administer and supervise the revenues in such manner as may be agreed upon in the negotiation of the loan, provided these officers are nominated by the American Government. If it be found impossible finally to arrange the loan, Liberia is not to be held responsible for reimbursing Firestone for money invested in Liberia, and the agreements would be effective and valid only when ratified by the Liberian Legislature. This ratification would carry with it automatically authority for the Government to secure the contract and enter into a loan agreement.

In Agreement 2, article 2, paragraph (b), the word “food” should be stricken out and the word “supplies” should be interpreted to mean “implements, tools, building materials, spare parts, and articles of this sort, which are free under the existing tariff.” In Agreement 2, article 3, paragraph (d), the second part should be eliminated.³⁵

Hood

³⁵ Referring to revision of taxes in the event of a 50-year extension of the lease; see p. 397.

882. 6176 F 51/30 : Telegram

The Secretary of State to the Minister in Liberia (Hood)

WASHINGTON, May 22, 1925—1 p. m.

10. Your 13, May 13, 2 p. m. You may transmit the following to the Minister of Foreign Affairs:

"The Department of State has received the message of the Liberian Government as transmitted in the telegram of May 13 from the American Legation and has carefully considered the statements made relative to the loan clause as it now stands in the Firestone contracts.

As already stated by Mr. Firestone, the reference to the 1921 loan plan was intended merely as a basis for subsequent negotiation, any objectionable or uneconomic features to be eliminated at the time of negotiation. He has reiterated to the Department that there is no intention to bind Liberia in the express terms of the 1921 plan.

The Department appreciates the reluctance of the Liberian Government to assume obligations toward private interests operating in Liberia identical with those which it might willingly assume toward the American Government. Mr. Firestone assures the Department that the company advancing the money for a loan will be separate from the corporation which will be formed to promote rubber development in Liberia. Obviously, however, it would be impossible to raise any loan in the United States on security which could be offered by Liberia unless there is to be the extensive development contemplated in the Firestone contracts. This is proved by the fact that the recent attempt to raise \$25,000 on unused bonds of the Liberian Government was unsuccessful. It is also clear that American bankers would insist on some supervision of the finances and to meet this necessity the Department has already stated that it would, at the request of the Liberian Government and American interests advancing the loan, assist in the selection of a general receiver. It would appear to this Government that these provisions would thoroughly safeguard Liberian interests.

Mr. Firestone, it is understood, has already indicated his willingness to accept, if the Liberian Government prefers, a straight 99-year lease instead of the 50-year lease with the possibility of amendment by arbitration thereafter and this, together with his statements as to the loan, would appear to the Department to meet the wishes of the Liberian Government.

I can only remind you finally of the traditional policy of good will and sympathetic interest which has guided the relations of this Government toward Liberia and assure you that you may rely on a continuation of this policy in the era of prosperity which, it is believed, will follow the consummation of the Firestone contracts. Frank B. Kellogg."

[Paraphrase.] For your own information. The Department of State understands that Mr. Firestone has been already negotiating with rubber plantations in Dutch Borneo and that among the purposes of his journey to Washington was the discussion with the commissioner of rubber openings in the Philippine Islands. It would

appear to the Department to be very unfortunate for Liberia should Mr. Firestone transfer his interests elsewhere. [End paraphrase.]

KELLOGG

882.6176 F 51/95 : Telegram

*Mr. Harvey S. Firestone to the Vice President of the National City Bank of New York (W. W. Hoffman)*³⁶

[AKRON, OHIO,] *May 26, 1925.*

Suggest you send following cable to De la Rue:

"Cables received. Not advisable to leave Firestone matter stand *status quo*. Already been too much delay and another delay likely serious.

Think Firestone would agree modify his agreement as follows— Change terms from fifty-year lease with Secretary of State as arbitrator on renewal of fifty years, to straight ninety nine years, if that more agreeable to Liberian Government and change loan agreement to read 'Liberian Government to accept loan of two to five million on terms to be agreed on.' Then you and others come to America immediately to negotiate loan. Suitable living conditions would be arranged in New York or Washington.

If Liberian Government will not agree to this there would be little hope of negotiating any agreement later."

H. S. FIRESTONE

882.6176 F 51/43

*The Liberian Secretary of State (Barclay) to the American Minister (Hood)*³⁷

521/D

MONROVIA, *May 23, 1925.*

MR. MINISTER: In acknowledging receipt of your despatch of May 25, 1925, conveying the text of a cablegram from Mr. Secretary Kellogg³⁸ with reference to the Firestone proposals, I have the honour to say that the Liberian Government appreciating the goodwill and sympathetic interest so continuously manifested in the affairs of the Republic by the Government of the United States accept with satisfaction the assurances given in said telegram, and will be disposed to enter into agreements with Mr. Firestone on the understanding, so far as these agreements suggest the flotation of a loan for development purposes in Liberia, that the detailed terms of the loan agreement will be worked out in subsequent negotiations

³⁶ Copy transmitted to the Department by Harvey S. Firestone, Jr., under covering letter of the same date.

³⁷ Copy transmitted to the Department by the Minister in Liberia under covering despatch of June 8, 1925; received July 6.

³⁸ See telegram No. 10, May 22, 1925, to the Minister in Liberia, p. 432.

and that the money will not be advanced by Mr. Firestone or the Corporation which he might form to promote rubber development in Liberia.

I have to point out that any hesitancy which the Liberian Government may have shown in relation to this matter grew out of an attitude of the public mind which was largely antagonistic to the question of a loan. This public feeling was aroused both by the terms of the Agreement of 1921, and by the manner in which those proposals were turned down by the United States Senate. This situation necessitated and still necessitates a considerable amount of suggestive propaganda by the Government before public opinion can be brought back to a favourable and receptive attitude towards this question.

I desire to emphasize the point that my Government have fully understood that the Bankers who might advance money to the Government of Liberia would insist upon some supervision of the Liberian finances by officials nominated for that purpose. The number of such officials, their pay, functions, powers and obligations must of course be worked out in the detailed terms, and they must be nominated by the United States Department of State.

With respect to the life of the Firestone contracts I desire to make clear, that my Government raise no objections to the two fifty-year periods which are proposed as the term of the Firestone interests. But they feel that they must oppose objections to the provision which, looking forward to a revision of the scale of payments which Firestone will make to the Government, would adjust this question by arbitration and thus open the way for controversies which my Government are most anxious by all possible means to avoid. It would seem to my Government preferable that the basis of those payments should remain the same during the period for which the contract must run, whether the life of the lease be a straight ninety-nine year term or two terms of fifty years each. These views together with those expressed in the addendum which has already been communicated to Mr. Firestone's representative here, a copy of which was also filed in your Legation,³⁹ being, it would appear, in substantial accord with the assurances given in the telegram the subject of this despatch, the Liberian Government upon the express acceptance of them by Mr. Firestone will have no hesitancy in executing the agreements and giving their fullest support to the agreement for a loan when that agreement comes to be submitted to the Liberian Legislature for approval.

³⁹ See telegram No. 14, May 22, from the Minister in Liberia, p. 431.

In respect to the general basis for the loan the Government would respectfully call the Department of State's attention to their memorandum on the subject transmitted in November 1924 through the Financial Adviser.⁴⁰

In reply to the questionnaire section of your despatch, I am instructed by the President to point out that the public pronouncement of the Liberian Executive up until November 1924, in no way indicated the "earnest desire" of Liberia for a loan. The failure of the 1921 Agreement to materialize made the Liberian people clearly see that they need not seek or expect from America or elsewhere financial assistance of the kind then contemplated. They felt themselves thrown back upon their own unaided resources. In his letter to Mr. Dearing, to which reference is made in your despatch, the President observed in substance that notwithstanding the failure of the 1921 proposals, Liberia's desire for the rehabilitation of her finances was just as keen as it had been before that failure, but he suggested that this rehabilitation, he had come to see, should be along the line of internal economic development rather than foreign financial assistance in the form of loans. The President, therefore, enquired whether or not Mr. Dearing thought it possible "to get some reliable and honest financial group with the 'OK' of your State Department interested in the economic development of Liberia?" This enquiry was indicative of the trend of policy which the President then felt himself compelled, by reason of the American refusal of assistance, thereafter to follow. That policy was financial rehabilitation through foreign investment for the development of economic resources.

The President emphasized this point of view in his inaugural address of January 1924, when he said:

"Foreign Loans. Past experience whispers to our ears a cautious tread along these lines. Foreign loans carry with them too many political entanglements.

We should bend all energies to the building up of such a healthy revenue that will assure to us financial stability and international credit on an equitable basis. In the meantime the economic development of the country should be left to private foreign enterprise under safe and reasonable terms of operation."

The expression of these views in such circumstances and the programme of Legislation thereafter initiated and put in force, seem to the President an effective public notification to every interest concerned in Liberia of the Administration's objectives and the means by which they were hoped to be attained. Any representations made

⁴⁰ Not printed.

to your Government contrary to these indications could not have correctly represented the desires of this Government.

When the Firestone proposals were first submitted with the tacit approval of your Department of State the President was impressed that his views were thoroughly appreciated.

These agreements constituted a complete scheme of economic development along a particular line, without the imposition of any extraordinary financial burdens upon the Republic, and yet having inherent in it the possibility of financial rehabilitation through the indirect results of the operations thereunder. Being thus in accord with Government policy already announced they were endorsed and supported in the fact [*face?*] of strong public opposition as the means by which your Government's benevolent interest in this Republic had found practical expression, without involving Liberia in the political entanglements which would necessarily and inevitably have followed a loan.

Although the programme of development initiated by the Government produced gratifying results, these results were not commensurate with the Government's hopes and desires. They were advised that completely satisfactory results could only be achieved by the expenditure of larger sums than would be available for any expansion in revenues which could reasonably be immediately expected. As a means of exploring the possibility of procuring such support, if necessary, the suggestion of November 1924, transmitted through the Financial Adviser, was thrown out. The Government of Liberia have never been advised whether the Department of State thought the scheme practicable, or that the money could be secured. The President was left to follow the course upon which he had embarked convinced that in this, as in the scheme of 1921, he had mistaken the kind of assistance which could be reasonably expected and secured in America.

All this must be envisaged as the back-ground of the discussions had upon the recent Firestone proposals, which, without notice to the Liberian Government, attached to the Agreement for economic exploitation by private means, a suggestion for the flotation of a public loan which was represented as an indispensable prerequisite to the plantation operations. Such an invitation to depart from a policy already settled upon by the Government and supported by public opinion could not be accepted without examination and without the assurance from your Government which were sought and which the telegram of Mr. Kellogg explicitly gives.

With sentiments [etc.]

EDWIN BARCLAY

882.6176 F 51/101 : Telegram

Mr. Harvey S. Firestone to the Chief of the Division of Western European Affairs (Castle)

AKRON, OHIO, May 29, 1925.

[Received 7:15 p. m.]

Just received following cable from Hines:

"My withdrawal negotiations and State Department's cable strengthened position here and has changed President's attitude regarding loan. Informed now preparing submit new and more acceptable loan proposal through State Department immediately. Government maintain have no power sign agreement including any commitment negotiate or accept loan without first obtaining legislative authority but possibility may find way because [my] departure and State Department's attitude alarmed Government and made them fear losing Firestone development and American support. Suggest consideration following plan: Draw up complete loan terms and hold conference with Liberian officials Europe thereby immediately concluding negotiations. Liberian officials prefer Europe to America because of racial conditions and Minister, Receiver, all here concur in meeting Europe. Facilitates and expedites matters every way. Believe continued farms [firm] stand will assure Liberian acceptable [acceptance] satisfactory loan terms. Ross conversant all negotiations conditions. Sailing today arriving London about June 12th."

Could you meet me New York conference with Hoffman, Monday or Tuesday? Will call you on phone.

HARVEY S. FIRESTONE

882.6176 F 51/48

The Minister in Liberia (Hood) to the Secretary of State

No. 274

MONROVIA, June 5, 1925.

Diplomatic

[Received July 7.]

SIR: This Legation has the honor, in confirmation of its cablegrams numbers 13, 14, 15 and 17 ⁴¹ dated May 13, 21 [22], 24 and June 3, 1925 respectively, to report as follows upon the Firestone Contracts:

1. Mr. William D. Hines, Mr. Harvey S. Firestone's personal representative, asked that the Agreements be signed as he had brought them over without any farther negotiations or changes. To this the Liberian Government positively objected for the following reasons:

⁴¹ Telegrams Nos. 15 and 17 not printed.

2. Because the draft brought back by Mr. Hines contained things which were not in the draft approved by the Liberian Legislature which had been taken by him to the United States for Mr. Firestone's approval.

3. Because clause (K) of Agreement No. 2 said the Firestone Loan should be upon the same terms and conditions as the Loan of 1921, some features of which had always been objectionable:

(a) Especially as to the number of administrative officers and the powers given them.

(b) Notwithstanding this on account of the need of money and moral support from the United States, the Liberian Legislature unanimously endorsed it and the public looked forward hopefully to the beneficial results that would come from it.

(c) The failure of the loan was a great disappointment and left the country in a most embarrassing situation.

(d) The matter afterward became the storm centre of the Liberian Presidential Campaign of 1923. All this has left the public mind here in an irritated, unpleasant state relative to the Loan of 1921.

So true is this that even when the signing of the Agreements was urged with the statement of Mr. Firestone's willingness to make whatever changes or modifications might be necessary after the signing, the Liberian Government felt a kind of apprehension about doing so while the expression remained embodied therein holding them to the same terms and conditions of the 1921 Loan.

4. The main objection to the Agreements, however, is that the Loan and Rubber Contracts are tied up together. The objection is that the Liberian Government does not wish to be obligated by a loan from any firm doing business in the country.

(a) It does want it very clearly understood that it is not for any want of confidence in, or any fear of, the Firestone Company, especially so long as Mr. Firestone himself is the head of the firm. It is, however, they allege, because no one can tell what changes in the personnel of the Firestone Company might take place and the Liberian Government might have to deal with a very different condition of things than now exists in the Firestone Company. Whatever the contractual stipulations were they might find themselves greatly embarrassed in the event of a change.

(b) A second reason is, a precedent is given that might weaken the Liberian Government's position in dealing with some other nationality upon the same question when it was attempting to defend a principle it had announced as a settled policy of not putting itself under obligations to a firm doing business in the country.

5. For the above reason the Government felt there should be a loan Agreement entirely separate and distinct from the Rubber Contract.

6. Under the above conditions the positive insistence that the Agreements be signed in the exact form they were presented had the effect of aggravating matters notwithstanding reasons which were strongly pressed as follows:

(a) That the Department, after a careful examination of the Agreements, had said, "it perceives no objection to Mr. Firestone proceeding to negotiate an agreement in the matter with the Government of the Republic of Liberia on the lines set forth in the draft agreements submitted to this Department", which it would not have said unless it had been satisfied that the Agreements contained nothing but what was just to both parties.

(b) That Mr. Firestone's purposes were not only absolutely honest but he was actuated by the purest motives for the good of Liberia and that the Firestone Company stood for all that was of the best in mercantile life in America.

(c) That since the Liberian revenues were not sufficient as assets of security for a loan of \$5,000,000, the Rubber Agreement was tied up with the loan so that the great industrial operations and developments which would be carried on by the Firestone Company in Liberia would give the necessary assurance or security to those from whom the loan would be raised.

(d) That because of the failure of the loan of 1921 and the seeming understanding that the Department would use its goodly *isic* offices in lending whatever assistance, so far as it legitimately could, in securing a Bankers' Loan, the Firestone proposition seems to offer, at this time, the best means of securing the ends.

(e) That there was now within the grasp of Liberia one of the best opportunities for economic development that could be presented.

(f) That there was also an exceptional opportunity of so interesting and involving American interests with Liberian as would more closely cement the already existing traditional bonds of friendship and thus bring to Liberia the things she most earnestly desired—whatever increased moral support the United States could legitimately and consistently give.

However, notwithstanding the above reasons, the Liberian Government maintains its position which is set forth in its dispatch to this Legation No. 432/D, a copy of which is enclosed, dated April 28, 1925,⁴² containing also a copy of a letter addressed to Mr. W. D. Hines.⁴³

⁴² *Ante*, p. 424.

⁴³ *Ante*, p. 421.

There then began a series of conversations between Mr. Hines, the Financial Adviser and the Liberian Government during which numerous propositions were drafted and again and again revised in the attempt to find a basis agreeable to both parties, during which time the Liberian Government became apprehensive that the delay in signing the Agreements might appear as if it did not appreciate the goodly [*sic*] offices of the Department and consequently sent, through this Legation, the message contained in cablegram No. 13, dated May 13, 1925, to fully explain its position and requested an expression from the State Department. A common basis of agreement seemed to have been found in an addendum which, with a copy of despatch No. 488/D, dated May 18, 1925, is herewith transmitted.⁴⁴ This addendum, if accepted by Mr. Firestone, would make the agreements acceptable for the signature of the Liberian Government.

It was thought the matter had been virtually solved until in a conversation about it with one of the Cabinet officials, a construction was placed on statement (*d*), paragraph 7, page 3, which construction made the whole addendum particularly objectionable to the representative of Mr. Firestone. The following is the statement:

“(d) The Agreements and this addendum shall be considered valid and effective only upon their ratification by the Legislature of the Republic of Liberia and that this ratification automatically carries with it authority for the Executive Branch of the Liberian Government to contract for and enter into a loan on the aforementioned basis”.

This statement had been interpreted to mean that after the ratification, by the Liberian Legislature, of the agreements with the addendum, the President would have the right automatically to go forward and contract for, and enter into, a loan without any farther reference to the Legislature for further ratification. The President, however when asked, said this was not so but that after he had entered into and contracted for a loan upon the basis stated in paragraph 7—(*a*), (*b*) and (*c*)—of the addendum, the whole transaction then must go back to the Legislature for its ratification.

This attitude greatly perturbed Mr. Firestone's representative who, after cabling Mr. Firestone and receiving instructions, withdrew the agreements, hence breaking off negotiations and left for the United States.

At this time the last cablegram from the Department No. 10 and dated May 22, 1925, had been received and transmitted by this Legation to the Liberian Government, but no reply had been received

⁴⁴ Neither printed; for substance of the addendum, see telegram No. 14, May 22, from the Minister in Liberia, p. 431.

until after Mr. Hines' departure. During the negotiations and discussions that had gone on between the President and Secretary of State, Mr. Hines and this Legation and from authentic reports of some remarks made during Liberian Cabinet meetings, it seemed possible that the Department of State and this Legation might appear to be forcing something upon Liberia or making some special effort in the interest of a particular American firm. In order, therefore, that such a reply upon the whole situation might be elicited from the Government of Liberia as would leave no misapprehensions or misunderstandings, the following questions were asked:

1. Does the Government of Liberia really need and desire a loan from the United States?

2. Does it, or not, desire the United States, at this time, to use its goodly [*sic*] offices in securing such a loan?

3. Is this Legation correct in the statements it has made that if a loan is secured from the United States, the Government of Liberia is prepared to offer its revenues subject to such supervision and inspection as would be necessary in carrying out the purposes of the loan?

4. Is the attitude of this Legation correct in that it has so strenuously pressed both in dispatches and in oral representations in saying that it was not merely financial help and economic development Liberia needed and desired but the moral support of the United States?

The whole temper and feeling of the Liberian Government has been modified by the Department's cable No. 10 and their reaction is set forth in their dispatch No. 521/D, dated May 28, 1925, a copy, herewith transmitted.⁴⁵

(a) It is known the Liberian Government desires to resume negotiations.

(b) That if Mr. Firestone will maintain the spirit he has seemed to manifest as reflected in the cablegrams from the Department and the Department will continue its good offices, the Agreements will be signed.

(c) That the whole matter will be expedited by the President calling a special session of the Liberian Legislature and then after he shall have contracted for and entered into the loan, even recalling for a subsequent ratification.

The position of Mr. Firestone seems now gradually to be more fully understood and the attitude of the Department most fully realized.

I have [etc.]

SOLOMON PORTER HOOD

⁴⁵ Note of the Liberian Secretary of State to the American Minister, printed on p. 433.

882.6176 F 51/37 : Telegram

The Minister in Liberia (Hood) to the Secretary of State

[Paraphrase]

MONROVIA, *June 11, 1925—5 p. m.*

[Received June 11—4:32 p. m.]

20. For Castle. Telegram has been received by De la Rue from National City Bank stating that Firestone insists that an official commission be sent to America with full authority to definitely close the loan. The suggestion of the Liberian Government is to send the Secretary of State at once to arrange the loan and to summon the Legislature immediately after his return here to ratify. Impossible to comply with Firestone's suggestion that the commission accept finally. The plan of the Government is much better, and is the speediest legal method. Acceptance by the Secretary of State assures ratification by the Legislature.

Hood

882.6176 F 51/104 : Telegram

*Mr. Harvey S. Firestone to President King of Liberia*⁴⁶

[AKRON, OHIO,] *June 12, 1925.*

Have cable from Ross. Liberian Government suggested modifications in Agreements.

With exception of food clause consider modifications only technical wording and would not change actual carrying out of Agreements.

Confidence and honesty of purpose is basis of any agreement to succeed. If this is not mutual no wording in agreements will help. I have given Liberia my full confidence and hope you will reciprocate not only for myself but for America. You never had such fine opportunity to cement more closely this mutual confidence.

Consider Liberia's interest best served by not taxing food for revenue and therefore not willing change food clause.

American rubber situation account British restriction is critical. Rubber industry now negotiating with other governments for large operations and know if you realized importance you would have agreements signed promptly which will show your confidence in me and come America negotiate loan. Hope you will be one of commission to come. Would like very much have opportunity of per-

⁴⁶ Copy transmitted to the Department by Harvey S. Firestone under covering letter of the same date.

sonally expressing to you my wishes and desires for future of Liberia.

HARVEY S. FIRESTONE

882.6176 F 51/37 : Telegram

The Secretary of State to the Minister in Liberia (Hood)

[Paraphrase]

WASHINGTON, June 12, 1925—3 p. m.

12. Referring to your 20, June 11, 5 p. m. Firestone has directed Ross to change the loan clause to conform to "Liberian legal requirements," so providing for eventual ratification by the Legislature following the negotiation of the loan agreement in the United States. It is hoped that this arrangement will remove any remaining objections of the Liberian Government.

The plan will be therefore (1) immediate signature of the agreements as modified; (2) the extension of an invitation by Firestone through the Department of State for a commission to come to America; (3) the dispatch of the commission and negotiation of the loan agreement; (4) the ratification of the loan agreement by the Legislature of Liberia.

With reference to (4), it is Firestone's hope that Legislature can be summoned in special session while the commission is still in the United States and that the Legislature will ratify on basis of terms telegraphed to the Liberian Government.

Firestone insists on signature of agreements as modified prior to visit of commission and as preliminary to further negotiations.

KELLOGG

882.6176 F 51/38a : Telegram

The Secretary of State to the Minister in Liberia (Hood)

[Paraphrase]

WASHINGTON, June 12, 1925—4 p. m.

13. The Department understands, in view of recent developments, that the ideas of the Liberian Government and of Firestone are finally in agreement and that the signature of the agreements as modified is to be expected at any moment.

The Department is glad, in view of its traditional policy of maintaining a friendly interest toward Liberia, to forward, at the wish of the interested parties, an invitation to the Government of Liberia to send a commission to the United States to arrange a bankers' loan.

The Department would be pleased to furnish appropriate assistance and advice to the Government of Liberia in this connection.

The Department feels that the Financial Adviser, on account of his thorough acquaintance with Liberian financial conditions, should either travel to this country with the commission or follow it as soon as practicable. In all likelihood Bussell⁴⁷ could return at once, but it is hoped that De la Rue need not await his arrival.

KELLOGG

882.6176 F 51/39 : Telegram

The Minister in Liberia (Hood) to the Secretary of State

[Paraphrase]

MONROVIA, June 14, 1925—2 a. m.

[Received June 15—10:30 a. m.]

21. Your telegrams Nos. 12 and 13.⁴⁸ Firestone once more has sent to the Liberian Government an open cablegram with regard to the loan agreement and the foggy [*food*] clause. The Liberian Government is much annoyed because of this method of communication, which informs foreign representatives about its intended action. It was intended to complete negotiations and bring them before the Legislature before adverse propaganda could be started.

Minor details in the agreements had not been thought here to materially affect Firestone, although important matters for Liberia. They are as follows: (1) The transportation and communication rights included to be only private and not to constitute a public utility monopoly; (2) the corporation is to be formed under the laws of the United States; (3) any exemption of foodstuffs from duties are not to be applied as soon as the loan is negotiated, as is now specified, but only gradually as financial circumstances of the Government permit; (4) the collection of taxes on employees may be arranged if the company wishes, whereas the agreements at present imply that taxes have been collected illegally in the past; (5) the public works included in Agreement 3 are to be built through the loan, and this agreement is unnecessary when the loan is negotiated.

The opinion of Ross as cabled to Firestone approves these modifications. Advise Firestone to empower Ross to sign agreement, whereupon De la Rue and the commission, as suggested, will come to America.

Hood

⁴⁷ C. T. Bussell, Assistant to the General Receiver of Customs of Liberia.

⁴⁸ *Supra*.

882.6176 F 51/38 : Telegram

The Minister in Liberia (Hood) to the Secretary of State

[Paraphrase]

MONROVIA, June 15, 1925—9 a. m.

[Received 4:19 p. m.]

22. Firestone in cable to Ross ordered agreements resubmitted, but refused to accept alterations suggested in Legation's 21, June 14. Ross at my advice takes no action pending reply from Legation's 21, as refusal to consider suggested modifications would assuredly be answered by refusal to sign. I advise strongly that Firestone be told that modifications do not affect his interests adversely and are not mere technical quibbles, but some are of such importance to the Government of Liberia as to affect international relations. Action immediately most important.

HOOD

882.6176 F 51/40 : Telegram

The Minister in Liberia (Hood) to the Secretary of State

[Paraphrase]

MONROVIA, June 19, 1925—5 p. m.

[Received, June 20—4:25 p. m.]

24. Referring to the Department's number 13, June 12. The Government of Liberia accept and appreciate invitation and assistance generously offered and will dispatch officials to arrange bankers' loan.

HOOD

882.6176 F 51/39 : Telegram

The Secretary of State to the Minister in Liberia (Hood)

[Paraphrase]

WASHINGTON, June 20, 1925—noon.

14. The Department has learned that Firestone authorized Ross by cable June 18 to agree to the desires of the Liberian Government regarding all modifications mentioned in your 21, June 14, 2 a. m. Accordingly the Department assumes that the agreements will be signed at once and that the commission will soon proceed to America. Advise probable makeup of commission and date of arrival in order that formal invitation from Firestone may be suitably extended.

Bussell is preparing to return and will leave when the Department is informed that the agreements have been signed.

KELLOGG

882.6176 F 51/39 : Telegram

*Mr. D. A. Ross to Mr. Harvey S. Firestone*⁴⁹

MONROVIA, June 23, 1925—5:25 p. m.

Submitted amended agreements. Government replied by sending retyped agreements containing several important alterations. American Minister requests that details be not cabled until he has conference with President tomorrow.

Government say they understood I had instructions to accept all modifications required by them, and Minister informs he received similar information from American State Department. Believe this is cause of Government's attempt to further alter agreements.

Ross

882.6176 F 51/39 : Telegram

The Secretary of State to the Minister in Liberia (Hood)

WASHINGTON, June 26, 1925—3 p. m.

15. The Department has learned with surprise that its 14 June 20, noon, has been construed as meaning that Ross had been instructed to accept all modifications which might be requested by the Liberian Government. This is a grave misunderstanding as Firestone's instruction to Ross of June 18 and the Dept's 14, June 20 noon covered only the five specific points reported in your 21 June 14, 2 a. m., and did not constitute a blanket acceptance of any further modifications which the Liberian Government might propose.

The action of the Liberian Government in proposing further modifications at a moment when it was believed that a complete accord had been reached has had the effect of causing Mr. Firestone to question the utility of continuing negotiations with the Liberian Government and has brought about a state of affairs in which complete and final withdrawal by Firestone is a serious and imminent possibility. Mr. Firestone has stated to the Department that he is not disposed to consider further modifications and has declared that further delays of this nature will compel him to give serious consideration to the advisability of transferring his interests from Liberia to the other fields indicated in the final paragraph of the Department's 10, May 22, 1 p. m.

Believing that the Firestone project offers a unique opportunity for Liberian rehabilitation and prosperity, the Department can only view the possibility of Firestone's withdrawal with the greatest regret, and it is confident that the Liberian Government will realize the gravity and urgency of the situation.

⁴⁹ Copy handed on June 25 to Henry Carter, of the Division of Western European Affairs, by M. A. Cheek, Firestone representative in Washington.

You will employ your best efforts to remove all possible misunderstanding as to the meaning of the Department's 14, June 20, noon, and to facilitate a prompt conclusion of the negotiations. To this end you may show and read this telegram to the Liberian authorities. Do not give a copy to the Minister.

KELLOGG

882.6176 F 51/41 : Telegram

The Minister in Liberia (Hood) to the Secretary of State

[Paraphrase]

MONROVIA, *June 27, 1925—2 p. m.*

[Received 11:15 p. m.]

25. The Liberian authorities have delivered to this Legation signed copies of the agreements to be transmitted through the Department of State to Mr. Firestone. Some changes have been made in wording and also a few modifications in an attempt to meet Firestone's ideas, but they do not affect the spirit or meaning of the agreement.

The Secretary of State of Liberia is proceeding to America with full power to meet and settle all complications and misunderstandings which may appear.⁵⁰ It is necessary that Bussell return immediately.

HOOD

882.6176 F 51/49b : Telegram

The Secretary of State to the Minister in Liberia (Hood)

WASHINGTON, *July 15, 1925—6 p. m.*

19. Please hand to President King the following personal message from Mr. Firestone:

"In view of present advantageous conditions for raising capital for rubber cultivation, it is imperative that formal ratification of loan to be negotiated with Secretary Barclay be made at an early date. Accordingly, I suggest that a call for special session of legislature be issued now as I understand four to six weeks are required for it to assemble after call. In this way prompt consideration can be given proposed loan, the terms of which will be cabled to Liberian Government through American State Department.

Capital cannot be raised nor our operations started until loan is ratified by legislature and I therefore urge you to give favorable consideration to this suggestion. Harvey S. Firestone."

Please inform Mr. Gile⁵¹ of Firestone's message to King.

KELLOGG

⁵⁰The Liberian Secretary of State left Monrovia July 2, arrived in New York August 12, and sailed from New York September 26.

⁵¹Firestone representative in Liberia.

882.6176 F 51/51 : Telegram

The Minister in Liberia (Hood) to the Secretary of State

[Paraphrase]

MONROVIA, July 23, 1925—4 p. m.

[Received July 25—4:43 a. m.]

29. Department's telegram 19, July 15, 6 p. m. President King feels that he must have Secretary Barclay's report and the actual signed documents in his hands before issuing the call for a special session of the Legislature. There has been a certain amount of adverse propaganda and President King desires to be in a position to support all the loan terms unequivocally and to stand solidly for immediate ratification. Upon receipt of the above information he will call a special session, no matter how near the date of the regular session may be.

Hood

882.6176 F 51/61

The General Receiver of Customs of Liberia (De la Rue) to the Chief of the Division of Western European Affairs (Castle)

NEW YORK, September 1, 1925.

[Received September 2.]

MY DEAR MR. CASTLE: The results of Saturday's conferences and one held today with Mr. Firestone, Col. Crews⁵² and Mr. Firestone, Jr., have so far shown no difficulty as to the terms of control of finances or the general plan of the Loan. The Bank's tendency at present is to recommend that a loan be entered into for \$5,000,000. and bonds will be authorized for that amount. It is suggested, however, that only \$2,500,000. be actually issued and that this be spread over a period of two years because it is felt that no more than this will be needed during 1926 and 1927 and that it is more than probable this amount will carry on the public works contemplated through 1928. This is especially true because the idea is to make the charges for sinking fund and interest payments as small as possible. For instance we are now discussing making no payments for sinking fund for the first five years and paying interest only on the bonds which are actually issued. This plan will reserve to the use of Liberia a larger proportion of the revenues and in this way we augment our available funds to a very great extent so that it will be unnecessary to use up the credit established by the bond issue as rapidly as would otherwise be expected.

The difficulty seems to be this. If the City Company contracts to furnish \$5,000,000. over a period let us say of six years, we will have

⁵² Col. Ralph Crews, member of law firm of Shearman & Sterling.

to pay a higher rate because of the various contingencies that must be taken into consideration by the Bank in guaranteeing these payments for a future period. If, on the other hand, we do not need \$5,000,000. in the next two or three years but only need \$2,500,000 then we can get \$2,500,000 for very much less proportionately than if we had to pay on \$5,000,000. over six years and only use \$2,500,000. in the first three. The advantage therefore appears to be with the Liberian Government in accepting a contract to advance \$2,500,000. against bonds in this manner and leaving the issuance of the balance of the bond issue an open matter for discussion two or three years from now.

The disadvantage is of course that two and a half or three years from now should we desire to issue the \$2,500,000. remaining of the bond issue or any portion thereof it is possible that the City Company would refuse to handle these bonds or that by reason of world money conditions or wars, etc., other companies would likewise refuse to handle the balance of the bond issue. This would place the government in a position such as it found itself in a few months ago when it tried to issue the balance of the bonds of the 1912 Loan which had been reserved for public works and found itself unable to place these bonds.

My personal thought is that with the Firestone development proceeding in an orderly way and with various public works more or less completed the capital value of the bonds would be so strong as to destroy the disadvantages mentioned, subject, of course, to unexpected contingencies such as war, financial depression, etc.

I consider that the Firestone Company would, moreover, be so interested in the issuance of these bonds if further public works finances were needed that we would have a strong ally in securing a market, and that it would be to our advantage to take this risk.

I hope I have made the situation quite clear and that you will find an opportunity to give the matter some thought because it is a very serious decision to make and I confess I would be most grateful for the benefit of your personal opinion. As you will have seen Mr. Barclay today it is unnecessary for me to comment upon his personal attitude other than to remark that in his private conversations with me he is deeply grateful for the courtesy that is being shown him and fully appreciates its significance. Granted that no unfortunate misunderstanding or difficulty takes place, I believe the attitude of the whole Liberian people toward the investment of American capital and toward the interest of the United States in their country will be strongly influenced by the reaction of Mr. Barclay to his treatment here.

Very respectfully and sincerely yours,

DE LA RUE

882.6176 F 51/128

Agreement Number 1 Between the Government of Liberia and the Firestone Plantations Company, Signed at New York, September 17, 1925

MEMORANDUM OF AGREEMENT made and entered into at the City of New York this 17th day of September in the Year of our Lord Nineteen Hundred and Twenty-Five by and between the Government of the Republic of Liberia represented by Edwin Barclay Secretary of the State of the said Republic, hereinafter styled the Government, of the first part, and Firestone Plantations Company, a corporation organized and existing under and by virtue of the laws of the State of Delaware, with its principal office in the City of Akron, State of Ohio, United States of America, hereinafter styled the Lessee, of the other part.

WITNESSETH—

ARTICLE I

That whereas the said Lessee for the purpose of experimentation in the productivity of the soil and the costs of producing rubber on an extended scale in the Republic of Liberia has applied for a lease of the Rubber Plantation known as the Mount Barclay Rubber Plantation situated in the Township of Johnsonville County of Montserrado and Republic of Liberia.

The Government for and in consideration of the payment of the sum of Six thousand dollars (\$6,000) per annum in gold coin of the United States of the present standard of weight and fineness, and other covenants hereinafter stipulated to be kept, observed and performed by the Lessee hath agreed to let and by these presents doth grant demise and to farm-let unto the Lessee all that parcel of land situate as aforesaid and known and described as the Mount Barclay Rubber Plantation heretofore occupied by the Liberian Rubber Corporation, being an irregular tract of land containing fifteen hundred acres more or less;

To HAVE AND TO HOLD the above mentioned and described premises with the buildings which are now or which may hereafter be placed thereon and the appurtenances thereunto appertaining unto the Lessee from the 27th day of June Nineteen Hundred and Twenty-five for the full end and term of ninety-nine years thence next ensuing and fully to be completed and ended, except as herein otherwise provided, the said Lessee yielding and paying therefor unto the Government the rent of Six thousand dollars (\$6,000) gold per annum, payable semi-annually, at the office of the Secretary of the Treasury, of the Republic of Liberia, in the City of Monrovia; on the first days of January and July of each year during the full term

when this lease shall be in full force and effect; provided however, that should operations by Lessee, on said demised property cease for a period of three consecutive years the rights of Lessee hereunder shall end and be and become thenceforth determined, extinguished, and void anything herein to the contrary notwithstanding; and thereupon all further liability of Lessee, to pay rent hereunder shall likewise cease and be determined and this agreement shall thereafter in all respects be and become null and void, and of no force and effect whatsoever.

ARTICLE II

And the Lessee doth Covenant hereby to and with the Government that

(a) For the purposes hereinbefore specified it will take the premises hereby demised and that it will pay or cause to be paid the yearly rent above reserved on the day and in the manner prescribed and that on the last day of said term or any sooner determination of the estate hereby granted, or upon the last day of any extended term, the Lessee shall and will quietly leave and surrender unto the Government all and singular the said demised premises.

(b) And the Lessee doth further covenant and agree to furnish the Government from time to time with full reports of the scientific and technical results of the experiments carried out by the Lessee at said Plantation.

(c) That it will not import unskilled labor for the carrying out of any operations or developments undertaken upon the Plantation hereby demised to it except in the event the local labor supply proves inadequate to the Lessee's needs.

(d) That in the event the local supply proves inadequate as aforesaid Lessee undertakes and agrees to import only such foreign unskilled labor to supply the local deficiency as may be acceptable to the Government.

(e) That it in addition to the rents above reserved Lessee will pay to the Government a revenue tax of one per centum on the value of all rubber shipped from the Plantation calculated at the New York market prices prevailing at the date of the arrival of the rubber in New York.

(f) The Lessee shall come to an arrangement with the Treasury Department of the Government of Liberia in respect to the collection and payment of poll taxes payable by persons who may be in the employ of the Lessee. But the Lessee shall in no event be held to collect in any year the poll tax for a greater number of employees than the average employed during the year.

(g) That in the case of war or other emergency declared to be such by the Government the said Government shall be entitled to the use of his lines of communication such as telegraph, telephone and wireless established outside or within the limits of the plantation.

ARTICLE III

And the Government doth covenant and agree by these presents that the Lessee paying and yielding the yearly rents above reserved and performing the covenants and Agreements aforesaid on his part stipulated to be performed.

(a) Shall and may at all times during the term hereby granted peaceably and quietly have hold and enjoy the said demised premises without any let suit trouble or hindrance from the Government or any person or persons whomsoever.

(b) Shall have the right at its own proper charge and expense to establish lines of communication such as roads and highways outside the limits of the Plantation—provided that such public highways as now exist or are in course of construction through the Plantation be not closed by Lessee but shall remain open to the free and unobstructed use of the public.

(c) All products of Lessee's plantations and all machinery, tools, supplies and buildings established, constructed or placed upon the leased land or elsewhere for the operation and development of the Lessee's land holdings and all leasehold interests, improvements and other property, franchises, right and income shall be free of and exempt from any internal revenue or other tax, charge, excise or impost except the revenue tax provided for in Paragraph (e) Article II.

(d) All machinery, tools and supplies of all kinds purchased and imported by Lessee for the operation and development of the lands held by Lessee under this agreement and for the welfare of the employees of Lessee's enterprise shall be exempt from all customs duties or other import duties. But such import duties, if any, as are now required by the "Agreement for Refunding Loan, 1912", or any modification thereof, shall be paid by the Lessee until such agreement shall be so modified as to reduce or abrogate such duties required on such imports by Lessee in which event Lessee shall be required to pay only such import duties as are demanded by such agreement as modified. Any articles which may be used by Lessee in trade or barter, or in payment for labor, shall not be deemed "supplies" within the meaning of this section.

(e) Lines of communication such as telegraph, telephone lines, railroads and canals constructed and established by Lessee outside the confines of the Lessee's tracts selected hereunder shall during

the life of this agreement be exempted from all taxation so long as they be used only for the purposes of the operations of Lessee upon lands held under this Agreement. In the event that such lines of communication shall be used by Lessee for general commercial purposes to serve others for hire then while so used they shall be subject to taxation under the general laws of Liberia.

(f) Should the rent above reserved or any part thereof be behind or unpaid or any day of payment whereon the same ought to be paid as aforesaid, or if default should be made in any of the covenants hereinbefore contained on the part of the Lessee or be paid kept and performed, and if such default in the payment of rent or otherwise shall continue after six months written notice of the existence of such default served by the Government upon the Lessee then it shall be lawful for the Government to cancel this lease and to re-enter into and upon the demised premises, and to again repossess and enjoy the same. But if the Lessee shall within said period of six months after written notice aforesaid make good the default complained of in said notice no right of cancellation shall thereafter exist because of such default. The notice required by this paragraph to be served on the Lessee shall be delivered to the representative of the Lessee in the Republic of Liberia and a duplicate thereof shall be simultaneously sent by registered mail to the President of the Lessee at its head office in the City of Akron, State of Ohio, United States of America. The Lessee shall promptly notify the Government of any change in the location of its head office, and thereafter any such notice shall be addressed accordingly.

ARTICLE IV

(a) The Lessee shall have the right to engage in any operations other than agricultural upon the lands held under this Agreement and to utilize any product or materials of or upon said lands; but any mining or other similar operations shall be subject to the laws of the Republic of Liberia unless the parties hereto shall agree upon special terms therefor.

(b) It is further agreed that at the expiration of the term of this lease hereinabove provided or any extension thereof or upon the cancellation of this Agreement at any earlier time, such buildings and improvements erected by the Lessee upon the land selected hereunder as shall not have been removed before the expiration or cancellation of the lease or any extension or renewal thereof, shall become the property of the Government of Liberia without charge or condition.

(c) The rights by this Agreement granted to the Lessee shall not be sold, transferred or otherwise assigned by the Lessee to any

person, firm, group or trust without the written consent thereto of the Liberian government previously had.

IN WITNESS WHEREOF THE parties hereto have hereunto set their hands and seals to this Agreement in duplicate the year and day above written.

RALPH CREWS
Witness

For the Government of Liberia
EDWIN BARCLAY
Secretary of State

Firestone Plantations Company
By HARVEY S. FIRESTONE
President

Attest:
HARVEY S. FIRESTONE, JR.
Secretary

882.6176 F 51/128

Agreement Number 2 Between the Government of Liberia and the Firestone Plantations Company, Signed at New York, September 16, 1925

MEMORANDUM OF AGREEMENT made and entered into at the City of New York this 16th day of September in the year of our Lord Nineteen Hundred and Twenty-five by and between The Government of the Republic of Liberia represented by Edwin Barclay Secretary of State of said Republic hereinafter styled the Government, and Firestone Plantations Company, a corporation organized and existing under and by virtue of the laws of the State of Delaware, with its principal office in the City of Akron, State of Ohio, United States of America, hereinafter styled the Lessee

WITNESSETH:—

ARTICLE I

That the Government hath agreed and by these presents doth agree to grant, demise and to farm-let unto the Lessee for the period of Ninety-nine years from this date an area of land within the boundaries of the Republic of Liberia of one million acres or any lesser area that may be selected by the Lessee from time to time within said period of Ninety-nine years; such land to be suitable for the production of rubber or other agricultural products.

But should the Lessee fail

(a) To notify the Government of its acceptance of the conditions herein contained and stipulated within six months after the execution of this Agreement by the Government of Liberia;

(b) Or within one year thereafter to commence the selection of lands hereunder;

Then in such case the obligation of the Government under this Agreement shall be discharged and ended.

ARTICLE II

The Government further agrees that the Lessee shall during the life of this Agreement have and enjoy the following additional rights and exemptions:

(a) All products of Lessee's plantations and all machinery, tools, supplies and buildings established, constructed or placed upon the leased land, or elsewhere for the operation and development of the Lessee's land holdings and all leasehold interests, improvements and other property, franchises, rights and income shall be free of and exempt from any internal revenue or other tax, charge, excise or impost except the revenue tax provided for in Article III, Paragraph (d).

It is understood and agreed that this exemption shall not apply to Lessee's employees, labourers or servants.

(b) All machinery, tools and supplies of all kinds purchased and imported by Lessee for the operation and development of the lands held by Lessee under this Agreement and for the welfare of the employees of lessees' enterprise shall be exempt from all customs dues or other import duties. But such import duties, if any, as are now required by the "Agreement for refunding loan, 1912", or any modification thereof, shall be paid by the Lessee until such Agreement shall be so modified as to reduce or abrogate such duties required on such imports by Lessee; in which event, Lessee shall be required to pay only such import duties as are demanded by such Agreement as modified. Any articles which may be used by the Lessee in trade or barter or in payment for labour shall not be deemed "supplies" within the meaning of this section.

(c) Lessee shall have the exclusive right and privilege upon the lands which shall be selected under this Agreement to construct highways, railways and waterways for the efficient operation and development of the properties. It is agreed that all trails across such lands used immemorially by the population shall be subject and open to free use by the public.

(d) Lessee shall have the right to construct and establish at its own expenses lines of communication such as highways, roadways, waterways and railways outside the lands selected under this Agreement. Such routes may be so located by the Lessee as to best serve the purpose of efficient operation of its plantations and enterprises but the Lessee agrees to consult the Government in the matter of such location. All highways and roadways in this paragraph mentioned shall upon completion become public property. But the Government in any event shall not be required to refund to the Lessee any sums of money expended by it in the construction and maintenance of such highways, roadways, waterways or railways.

(e) The Lessee shall have the right to construct and establish lines of communication for the purpose of more efficiently operating its plantations and enterprises such as telegraph lines, telephone lines and wireless stations outside of the confines of the land selected under this Agreement, subject to the provisions of Paragraph (h), Article IV of this Agreement; and to the extent necessary for such purpose may use, without the payment of rent for such land, any Government lands not already devoted to some other use. The Government in case of war or other emergency shall have the right to use such lines of communication.

(f) The Lessee shall have the right to cut and use all timber upon the lands covered by this Agreement but if it shall engage in the sale of lumber to be removed from such lands for export it shall pay the Government royalty of two (2) cents per cubic foot for the lumber so sold, in gold coin of the United States of the present standard of weight and fineness.

(g) The Lessee shall have the right to engage in any operations other than agricultural upon the lands held under this Agreement and to utilize any product or materials of or upon said lands; but any mining or other similar operations shall be subject to the laws of the Republic of Liberia unless the parties hereto shall agree upon special terms therefor.

(h) The Government warrants to the Lessee the title to all lands selected by it upon which the government shall accept the rental or compensation as herein provided and will defend and protect such title for the benefit of the Lessee.

The Government further agrees that it will encourage, support and assist the efforts of the Lessee to secure and maintain an adequate labour supply.

ARTICLE III

The Lessee in consideration of the Agreements herein by the Government hath agreed and by these presents doth agree as follows:

(a) To notify the Government within a period of six (6) months after the execution of this Agreement by the Government of Liberia of its acceptance or rejection of the conditions and stipulations of this Agreement.

(b) Beginning one year after the acceptance by the Lessee of this Agreement it shall select from year to year land suitable for the production of rubber and other agricultural products in such areas or quantities within the maximum limit of one million acres of land as may be convenient to it and in accordance with the economical and progressive development of its holdings: and said Lessee shall upon the selection or location of any tract or tracts of land notify

the Government of such selection and the boundaries thereof. But the Lessee shall within five years of the final execution of this Agreement select and begin the payment of rent upon a total of not less than twenty thousand acres.

Upon written notice by Lessee to the Government of Liberia of Lessee's intention to make a selection of land hereunder within a named territory Lessee shall have six (6) months thereafter to select land within such territory and upon the filing by Lessee with the Government within such six (6) months of written notice of the selection of land within such designated territory the title to such selected land shall vest in Lessee for the purpose named in this Agreement.

It is not intended hereby to deny Lessee the right to make selection of lands hereunder without such previous notification of intention to select within six (6) months; but if such last named notification is filed the same shall have the effect of preventing others from acquiring title within such territory during such six (6) months.

(c) As and when the Lessee takes possession of lands selected by it under this Agreement Lessee shall pay to the Government rental at the rate of six (6) cents per acre yearly and every year in advance in gold coin of the United States of the present standard of weight and fineness. Such payments shall be made to the Secretary of the Treasury of Liberia or to such other officer as may be by law provided.

(d) Six (6) years after the acceptance by the Lessee of this Agreement and annually thereafter, the Lessee shall pay to the Government a revenue tax equivalent to one per centum of the value of all rubber and other commercial products of its plantation shipped from Lessee's plantations calculated on the price for such products prevailing in New York market at the time of the arrival of the shipment in New York.

(e) Any taxes which may become payable by virtue of the laws of the Republic by any person or persons carried on the payroll of the Lessee, if the Lessee so desires, shall be collected as follows:— The Lessee may come to an arrangement with the Treasury Department of the Republic of Liberia which shall regulate the methods of collection and payment of such taxes. But the Lessee shall in no event be held to collect in any year the tax for a greater number of employees than the average employed during the year.

(f) Should the rent reserved on any piece or parcel of ground selected by the Lessee be behind or unpaid on any day of payment whereon the same ought to be paid as herein provided, or if default should be made in any of the covenants hereinbefore contained on the part of the Lessee to be paid, kept and performed, and if such

default in the Payment of rent or otherwise shall continue after six months written notice of the existence of such default served by the Government upon the Lessee, then it shall be lawful for the Government to cancel this lease as to that piece or parcel of ground, the rent for which is in default or in respect of which piece or parcel any other default exists as specified in such notice, and to re-enter into and upon the said demised premises and to again repossess and enjoy the same. But if the Lessee shall, within said period of six (6) months after written notice as aforesaid, make good the default complained of in said notice, no right of cancellation shall thereafter exist because of such default. The notice required by this paragraph to be served on the Lessee shall be delivered to the representative of the Lessee in the Republic of Liberia and a duplicate thereof shall be simultaneously sent by registered mail to the President of the Lessee at its head office in the City of Akron, State of Ohio, United States of America. The Lessee shall promptly notify the Government of any change in the location of its head office and thereafter any such notice shall be addressed accordingly.

ARTICLE IV

It is further agreed between the parties hereto as follows:

(a) The Lessee will not import unskilled foreign labour for the carrying out of any operations or development undertaken by virtue of this or any other grant except in the event the local labour supply should prove inadequate to the Lessee's needs. In the event that the local labour supply should prove inadequate as aforesaid Lessee undertakes to import only such foreign unskilled labour as shall be acceptable to the Government of Liberia.

(b) Should the operations of the Lessee under this Agreement cease for a period of three consecutive years then all and singular of the rights of the Lessee hereunder shall become extinguished and void and this Agreement shall become of no effect but such cancellation of this Agreement shall not affect any rights granted by the Government to the Lessee under any other Agreement.

(c) The rights by this Agreement granted to the Lessee shall not be sold, transferred or otherwise assigned by the Lessee to any person, firm, group or trust without the written consent thereto of the Liberian Government previously had and obtained.

(d) The Government reserves the right to construct roads, highways, railroads, telegraph and telephone lines and other lines of communication through any and all plantations owned and operated by Lessee; but before so doing the Government shall pay to Lessee all damage which will be caused to Lessee's property by the con-

struction and operation of such roads or other lines of communication; such damage to be ascertained in accordance with the General law of the Republic of Liberia.

(e) The Lessee shall have the right to develop for his own use such natural water power and hydroelectric power as may be capable of development upon any of the tracts of land selected by the Lessee under this Agreement and Lessee shall have the right to construct and maintain power lines over any Government lands in order to convey power so developed from one tract of land selected by Lessee to any other tract.

(f) Tribal reserves of lands set aside for the communal use of any tribe within the Republic of Liberia are excluded from the operation of this Agreement. Should any question arise as to the limits and extent of such reserves such questions shall be finally determined by the Secretary of Interior on a reference by the Lessee.

(g) Lines of communication such as telegraph, telephone lines, railroads and canals constructed and established by Lessee outside the confines of the Lessee's tracts selected hereunder shall during the life of this Agreement be exempted from all taxation so long as they be used only for the purposes of the operations of Lessee upon lands held under this Agreement. In the event that such lines of communication shall be used by Lessee for general commercial purposes to serve others for hire then while so used they shall be subject to taxation under the general laws of Liberia.

(h) It is further agreed that at the expiration of the term of this lease hereinabove provided or of any extension thereof or upon the cancellation of this Agreement at any earlier time such buildings and improvements erected by the Lessee upon the land selected hereunder as shall not have been removed before the expiration or cancellation of the lease shall become the property of the Government of Liberia without charge or condition.

(i) It is further agreed that if hereafter the Government shall grant to any other person, firm or corporation any rights in connection with the production of rubber in Liberia upon more favourable terms and conditions in any respect than those granted in this Agreement such more favourable terms and conditions shall inure to the benefit of the Lessee herein the same as if such more favourable terms and conditions were incorporated herein.

(j) It is further agreed that the Lessee shall use its best efforts to secure either from the Government of the United States or with the approval of the Secretary of State of the United States from some other person or persons a loan of not less than five million dollars to establish a credit for public developments in the Republic

of Liberia to the end that the credit may be a revolving credit set up through reserves so as to meet the future requirement of funds for such developments. Such loan shall be upon terms and conditions to be negotiated by a Commission appointed by the President of Liberia who shall proceed promptly to the United States for this purpose. It is understood that such terms and conditions as may be agreed upon shall be subject to the approval of the Legislature of the Republic of Liberia.

(k) Wherever in this Agreement the Government grants to the Lessee the right to build and operate a railroad or to use the highways and waterways, it is understood that the Lessee is not seeking and is not granted public utility or common carrier privileges and that the same are not intended to be conveyed to it.

(l) Wherever in said Agreements the Lessee is granted the right to construct and maintain telephone or telegraph lines or wireless stations it is understood that the rights intended to be conveyed permit the establishment of such lines of means of communication for the private use of the Lessee in the operation of its business and that the Lessee does not seek and is not granted the right to establish and maintain any public services.

(m) During the life of this Agreement the Lessee shall at all times have access to the port and harbor facilities at Monrovia, or in any other district of the Republic where it may be carrying on operations, upon not less favorable terms than is accorded others under existing treaties and the laws of the Republic of Liberia. It shall be privileged to lease available lands in all ports of entry from the Government upon favorable terms.

(n) The Government agrees to promptly arrange with the Department of State of the United States for arbitration of all or any questions which may arise under this agreement, or in its operation, upon which the parties cannot agree, and the decision arrived at by means of such arbitration on such question or questions shall be final and binding upon both parties to this agreement.

IN WITNESS WHEREOF the parties hereto have hereunto set their hands and seals the day and year first above written.

Witness

DE LA RUE

For the Government of Liberia

EDWIN BARCLAY

Secretary of State

Attest:

HARVEY S. FIRESTONE, Jr.

Secretary

Firestone Plantations Company

By HARVEY S. FIRESTONE

President

882.6176 F 51/128

Agreement Number 3 Between the Government of Liberia and the Firestone Plantations Company, Signed at New York, September 16, 1925

MEMORANDUM OF AGREEMENT made and entered into at the City of New York this 16th day of September in the year of our Lord Nineteen Hundred and Twenty-five by and between the Government of the Republic of Liberia, represented by Edwin Barclay, Secretary of State of the said Republic, hereinafter styled the Government, and Firestone Plantations Company, a corporation organized and existing under and by virtue of the laws of the State of Delaware, with its principal office in the City of Akron, State of Ohio, United States of America, hereinafter styled LESSEE, WITNESSETH:—

ARTICLE I

That provided Agreements numbered One and Two between the parties hereto, Number One providing for the lease of Mount Barclay Rubber Plantation, and Number Two providing for the lease of lands to be selected by the Lessee not to exceed One Million acres, shall be finally consummated in their present or some other form acceptable to the parties, the Lessee is hereby granted the right and option to improve the Harbour of Monrovia in Liberia by constructing the necessary breakwaters, wharfage and lighterage facilities, such option to be exercised and such work to be begun within five years of the execution of this Agreement, and to be pushed to completion with all reasonable speed; provided, however, that such work if undertaken by the Lessee shall be begun before the Government shall itself begin the work of permanently and adequately developing the Harbour facilities. Plans for such development shall be by the Lessee submitted to the Government and approved by it; but the Government agrees to approve plans submitted by the Lessee providing the same are reasonably suitable, for the purpose intended; and the Lessee is further given the right, in case it constructs the Harbour as aforesaid, to keep the same in repair, and agrees to perform such repair work as shall from time to time be required by the Government during the term of this Agreement.

ARTICLE II

In consideration of the Lessee's undertaking, as aforesaid, the Government agrees

(a) To repay Lessee the expenditure made by it for the construction and repair work as aforesaid, but in no case to exceed in total

the sum of \$300,000.00 aside from cost of repairs; payment to be made by the Government in the manner hereinafter provided.

(b) To place at the disposal of the Lessee, lands contiguous to the Harbour and Harbour improvement for the purpose of obtaining the necessary rock and other raw material sufficient for the economical construction of the work. But no charge shall be made by the Government for such lands or the materials taken therefrom.

(c) The Government shall repay to Lessee all amounts expended in harbour construction and repair work hereunder, with interest thereon at the rate of 7% per annum from the date of the respective expenditures, on or before the second day of January 1931. In the event that the Government shall sell an amount of its External Forty Year Sinking Fund Seven per cent. (7%) Gold Bonds in excess of the face amount of \$2,500,000, then the Government shall apply the first avails of the sale of such bonds, in excess of \$2,500,000 face amount, to the payment of said expenditures for harbour construction and repair work hereunder by Lessee with interest thereon as above stated, until the same shall be fully paid and satisfied. Lessee shall have the option at any time prior to payment thereof to take payment for said expenditures, with interest as aforesaid in bonds of said issue above described at the rate of \$900. for each bond of the face amount of \$1000. and upon ten days notice of its election to exercise such option the Government covenants to cause its fiscal agent to make payment to Lessee in said bonds according to the provisions hereof.

ARTICLE III

It is agreed by both parties hereto

(a) That the Government shall at all times have the right to an accounting and an audit of the expenditures made by Lessee on account of Harbour construction, maintenance and repair and the Lessee undertakes to grant the Government every facility for this purpose.

(b) That the Government may at any time at its option reimburse the Lessee its expenditures or the outstanding balance thereof with interest, on account of said construction, maintenance and repair, in which event all further obligations of the Lessee hereunder, shall become null and void. But the Lessee, nevertheless, shall have the right at its own expense to make all necessary repairs to said harbour facilities; and in the event said Lessee shall make expenditures on this account, the Government agrees to reimburse the Lessee for the reasonable cost of such repairs.

(c) The harbour dues imposed and collected by the Government shall not be excessive, and shall be fixed with the purpose of cover-

ing only the reasonable cost of maintenance, operation and repairs of the harbour facilities, and interest on the investment, and the establishment of a reasonable sinking fund to liquidate the cost of construction within a period of twenty years.

(d) The rights by this Agreement granted to the Lessee shall not be sold, transferred or otherwise assigned by the Lessee to any person, firm, group or trust without the written consent thereto of the Liberian Government previously had.

IN WITNESS WHEREOF the Parties hereto have hereunto set their hands and seals the day and year first above written.

For the Government of the Republic
of Liberia

Witness:

DE LA RUE

EDWIN BARCLAY

Secretary of State

Firestone Plantations Company

Attest:

HARVEY S. FIRESTONE, Jr.

Secretary

By HARVEY S. FIRESTONE

President

882.6176 F 51/166

*Draft Loan Agreement Between the Government of Liberia, the Finance Corporation of America, and The National City Bank of New York*⁵³

AGREEMENT made and entered into this day of , 1925, by and between the Government of the Republic of Liberia of the first part (hereinafter referred to as the Government) Finance Corporation of America, a corporation organized and existing under and by virtue of the laws of the State of Delaware, of the second part (hereinafter referred to as the Buyer) and The National City Bank of New York of the third part (hereinafter referred to as the Fiscal Agent);

WHEREAS, the Government represents to the Buyer that it desires to provide for the adjustment of its outstanding indebtedness, and to arrange for

a. The construction of certain public works in the form of roads, bridges, and wharves, and the development of its harbors and communications;

b. Encouraging and development of agriculture;

c. The development of the sanitary organization, including the establishment and maintenance of hospitals;

d. Construction of schools and the encouraging of education among the peoples of the Republic;

⁵³ Topical notes appearing in the margin of the original text have been omitted.

- e.* The maintenance of the frontier force and its development;
- f.* The general economic development of the country; and

WHEREAS, the Government represents to the Buyer

A. That Schedule A hereto embraces a statement as of December 31st, 1924 of the entire funded debt of the Government, external and internal, and all indebtedness of the Government incident to the current administration of the Government and all claims against the Government, including claims disputed by the Government as to their validity or amount, or both,

B. That Schedule B hereto embraces all funded debt of the Government, external and internal, and all indebtedness of the Government and claims against the Government, payment of which is or has been directly or indirectly charged, or is claimed to be charged on any of the customs of the Government on exports or imports or on head moneys or on any part of any thereof, or on other revenues of the Government from whatever source derived:

NOW, THEREFORE, THIS AGREEMENT WITNESSETH;

ARTICLE I. The Government covenants with the Buyer that it will cause to be sanctioned, created and issued its "External Forty Year Sinking Fund Seven Per Cent. Gold Bonds" (hereinafter referred to as the "Bonds") in the aggregate principal amount of Five Million Dollars (\$5,000,000), gold coin of the United States of America, to be dated as of January first, 1926, to mature on January first, 1966, to bear interest from the date thereof at the rate of seven per cent. per annum, payable semi-annually on July first and January first in each year, to be executed by, to be imprinted with the seal of the Government or a facsimile thereof, and to have interest coupons attached, executed with the facsimile signature of its Secretary of the Treasury and to be authenticated by the signature of the Fiscal Agent thereon indorsed, which Bonds, interest coupons and Fiscal Agent's Certificate are to be substantially in the forms hereto attached, marked Exhibit "A". Only such Bonds as shall be so authenticated shall be valid or obligatory for any purpose, and such authentication upon any outstanding Bond shall be conclusive evidence and the only competent evidence that such Bond is one of the Bonds of this loan. The Bonds shall be issued in denomination of \$500 and \$1000 each, in such amounts as the Buyer may designate, and shall be registerable as to principal, but not as to interest.

The Government hereby appoints The National City Bank of New York as Fiscal Agent of the Government, with the duties and powers hereinafter set forth. The Fiscal Agent shall maintain at its head office in the Borough of Manhattan, City and State of New York, United States of America, a book or books in which shall be kept

a record of Bonds registered as to principal, and it may establish such regulations with reference to the registration of Bonds as it may deem necessary or advisable. The cost of such registration to be paid as and when stated to it by the Government.

ARTICLE II. The Government covenants that both principal and interest of the Bonds will be paid promptly as they respectively become due and that any and all sums and expenses in connection with the service of the issue will be paid in conformity with Article V hereof, and that payments shall be made in the Borough of Manhattan, City and State of New York, United States of America, at the head office of the Fiscal Agent, in gold coin of the United States of America of or equal to the present standard of weight and fineness and shall be paid in time of war as well as of peace, whether the respective owners or holders of the bonds are citizens of a friendly or a hostile state, without deduction for or on account of any taxes, assessments or other governmental charges or duties now or hereafter levied or to be levied by or within the Government or by any taxing authority thereof.

ARTICLE III. The Fiscal Agent shall be entitled to treat the person in whose name any Bond shall at the time be registered as to principal, as the owner thereof for the purpose of receiving payment of such principal, and payment of or on account of the principal of any Bond which shall at the time be registered as to principal shall be made only to or upon the order of such registered owner. The bearer of any Bond which shall not at the time be registered as to principal, and the bearer of any interest coupon pertaining to any Bond (whether such Bond shall be registered as to principal or not) shall be deemed to be the absolute owner thereof for any and all purposes, and neither the Government nor the Fiscal Agent shall be affected by any notice to the contrary.

ARTICLE IV. In case any Bond, with its interest coupons, shall be mutilated, destroyed or lost, the Government, in its discretion, may issue, and thereupon the Fiscal Agent shall authenticate and deliver, a new Bond of like series, denomination, tenor and date, in exchange and substitution for, and upon the cancellation of, the mutilated Bond and its interest coupons, or in lieu of and in substitution for the Bond and its interest coupons so destroyed or lost, upon receipt, in each case, of indemnity satisfactory to the Government and to the Fiscal Agent, and, in the case of the destruction or loss of any Bond or its interest coupons, upon the receipt, also, of evidence satisfactory to them of such destruction or loss.

ARTICLE V. For the payment of the interest on the outstanding Bonds and the amortization of the principal thereof at or prior to maturity, the Government will remit or cause to be remitted to the

Fiscal Agent in the City of New York, United States of America, semi-annually on May first and November first in each year, beginning May first, 1926, (so long as any of the Bonds remain outstanding and unpaid and there shall not have been deposited with the Fiscal Agent a sum in cash sufficient to pay, and for the purpose of paying the same), an amount in cash sufficient to pay the interest to become due on all the Bonds then outstanding, on the next subsequent interest payment date; and in addition thereto, on or prior to November first, 1930, and on or prior to May first and November first in each year thereafter, such proportion of the sum of \$70,000 as the aggregate principal amount of Bonds theretofore issued shall bear to the total authorized issue of \$5,000,000.

From the sums so remitted from time to time, the Fiscal Agent shall first set aside a sum sufficient to pay the interest on the outstanding Bonds on the next subsequent semi-annual interest date, and after setting aside such sum the Fiscal Agent shall apply the remaining sums so received, from time to time, as the sinking fund for the retirement of the Bonds, after January 1st, 1931, in the following manner:

The Fiscal Agent shall apply the moneys in the sinking fund, as the same accrue and become available thereto, from time to time, to the purchase of Bonds in the open market (including, as well, any stock exchange) if obtainable with reasonable diligence at prices not exceeding 102 per cent. of the principal amount thereof and accrued interest.

Any moneys in the Sinking Fund which shall not have been applied to the purchase of Bonds at least seventy days prior to the first day of October in each year shall be applied on such first day of October to the redemption of Bonds, by lot, at the redemption price of 102 per cent. of the principal amount thereof, as follows: The Fiscal Agent shall select by lot an aggregate principal amount of such Bonds equal as nearly as may be, to, but not exceeding, the moneys then in the Sinking Fund, and shall thereupon give notice of redemption of the Bonds so selected, by publishing the same at least once a week for four consecutive weeks, in each of two newspapers of general circulation, published in the Borough of Manhattan, City and State of New York, United States of America, the first publication to be at least 60 days prior to the date designated for redemption, and by mailing a copy of such notice to each registered owner of such Bonds at his address appearing upon the bond registry books, on or before the date of the first publication of the notice. Such notice shall call upon the holders of the Bonds mentioned therein to surrender the same, with all unmatured interest coupons attached, at the head office of the Fiscal Agent for redemp-

tion at the said redemption price on the date designated for such redemption. Notice of such redemption having been given as herein provided, the said Bonds shall, on the date designated in such notice, become due and payable at the said redemption price, plus accrued interest, anything herein or in the said Bonds contained to the contrary notwithstanding. After such redemption date, the Bonds designated for redemption shall cease to bear interest.

ARTICLE VI. Any and all Bonds purchased or redeemed pursuant to any of the provisions of this Contract shall forthwith be cancelled by the Fiscal Agent and permanently retired and disposed of at the direction of the Government, and no further Bonds shall be issued in lieu thereof.

ARTICLE VII. The Government agrees that it will forthwith undertake negotiations with the present holders of the external and internal debt of the Republic for the adjustment of such debt and for the settlement of such claims as may be approved by the Financial Adviser hereinafter referred to, and that the Bonds herein provided to be issued by the Government and hereinafter termed "The Loan" shall be charged as a first lien,

a. On all customs duties of the Republic receivable on and after the day of , 19 . . , whether in respect of imports or exports,

b. On the Revenues receivable on and after said date from head moneys, and

c. On all other revenues or moneys received for the account of the Government from any source whatever. Such revenues include port and harbor dues, hut tax and land tax, postal receipts, fines, forfeitures, emergency relief fund, special six per cent. tax, poll tax, sales of public lands and property, road tax and highway fund, school tax, license fees and any other revenues, taxes, imposts or charges which may hereafter be imposed or collected.

Import and export duties of every kind and character whatsoever, head moneys and all other taxes, imposts and revenues of the Republic shall be collected through the customs, postal and internal revenue administration, to be maintained by the Government under the supervision and direction of a Financial Adviser and certain assistants appointed as hereinafter stipulated who shall cooperate with the Treasury, Postal and Interior Department officials in the manner hereinafter prescribed. The Government obligates itself to appoint from time to time during the entire life of the loan the fiscal officers required by the terms of this agreement, who during the life of this agreement, shall supervise, direct and control the collection of the revenues of the Republic from whatsoever source they may arise, and the application thereof to the service of the loan, which

shall be administered in accordance with the terms of this agreement under rules and regulations to be made and to become effective for the purpose of carrying out the terms and provisions hereof.

ARTICLE VIII. As an additional guarantee of the prompt payment of the loan and to insure the efficient organization and functioning of the Liberian fiscal services, the Government covenants and agrees to appoint to its service said Financial Adviser, who shall be designated by the President of the United States of America to the President of the Republic of Liberia and, subject to his approval, appointed to the said office. The said Financial Adviser shall at all times be subject to removal by the President of the Republic of Liberia, upon the request of the President of the United States.

ARTICLE IX. The organization of the customs and internal revenue administration of the Republic shall be supervised by the following officers, who shall be nominated by the Financial Adviser, to the President of the Republic of Liberia, (the Financial Adviser having first reported the names of the officers nominated to the Secretary of State of the United States), and shall be by the President of the Republic of Liberia appointed and commissioned to the respective offices with duties as defined in this Instrument. These officers shall at all times be subject to removal by the President of Liberia, at the request of the Financial Adviser.

The auditor and assistant auditor shall be appointed by agreement between the Government and the Fiscal Agent.

The officers to be so designated shall be qualified as to education and as to previous experience in similar or analogous positions in foreign service; and the President of the Republic of Liberia, before commissioning them for service hereunder, shall have the right to require satisfactory proof of such qualifications, with the exception only of the Financial Adviser:

1. A Financial Adviser who shall be designated and appointed as hereinbefore stated, at a salary of \$12,500. per annum;
2. A Deputy Financial Adviser, who shall perform such duties as may be assigned to him from time to time by the Financial Adviser, and who shall be authorized to act in the place and stead of the Financial Adviser during his absence or disability;
3. An official, who shall be designated Inspector General of Customs;
4. An official, who shall be designated Inspector General of Internal Revenue;
5. A bonded auditor;
6. A bonded assistant auditor.

The officers above mentioned shall perform such duties and employ such persons as may be defined by law or prescribed by the Government, with or upon the advice of the Financial Adviser, and

the salaries of said officers, with the exception of the Financial Adviser, shall be fixed from time to time by agreement between the Financial Adviser and the Government, but the total aggregate salaries of said officers, excepting only the Financial Adviser, shall not exceed the total aggregate sum of Forty Thousand Dollars (\$40,000); provided, however, that in the event of substantial changes of money values, the salary of the Financial Adviser and the above aggregate total amount for salaries of other officers may be from time to time increased or diminished by agreement between the Government and the Fiscal Agent.

Such salaries paid to the Financial Adviser and the fiscal officers to be appointed as above stated shall include all allowances of any kind or character whatsoever, provided, however, that said officials shall in addition to such salaries be furnished suitable quarters by the Government; shall be furnished suitable medical care and attendance; shall be reimbursed for their actual traveling expenses incurred by them on official duty; and shall receive traveling expenses from the point of departure in the United States at time of appointment or employment, to their post in Liberia and return to the United States on termination thereof; and not more often than once in two years, shall receive their actual traveling expenses by ordinary route to the United States and return.

The Financial Adviser and his assistants shall be entitled to receive reasonable leaves of absence, cumulative over not more than two years, at full pay.

ARTICLE X. 1. Buyer agrees to purchase from the Government and the Government agrees to sell, at the rate of \$900 per bond of \$1,000., together with interest accrued thereon from time to time, pursuant to the terms and provisions hereof, and in the manner hereinafter stated, such an amount of said Bonds as will provide funds to be used by the Government for the purpose stated in the preambles hereof, not to exceed, however, the total aggregate amount of \$2,500,000, face value of said bonds.

2. Said Bonds shall be certified to by the Fiscal Agent for the purposes of identification, and from time to time delivered to the Buyer, or its nominee, as against payment therefor at the rate above stated, to be credited by the Fiscal Agent to the account of the Liberian Government. Said Bonds shall be so certified and delivered from time to time by the Fiscal Agent, at the request of the Secretary of the Treasury of the Government, with the written consent and approval of the Financial Adviser but not otherwise, and payment for said Bonds shall not be called for in excess of the following schedule, to wit:

3. During the calendar year 1926, not to exceed the total aggregate amount of \$1,500,000, face value of said Bonds;

4. During the calendar year 1927, not to exceed the aggregate face amount of \$500,000, of said Bonds;

5. During the calendar year 1928, not to exceed the aggregate face amount of \$500,000. of said Bonds.

If the Government shall fail to call for the full amount of said bonds provided for any one year the uncalled balance thereof shall not be cumulative except with the Buyer's consent.

ARTICLE XI. 1. The Government hereby authorizes the redemption of all of its Bonds now issued and outstanding, commonly called the 5% Sinking Fund Gold Loan due July 1, 1952, under the agreement for Refunding Loan dated March 7, 1912, between the Republic of Liberia of the first part and Messrs. J. P. Morgan & Co., *et al.*, of the second part. The redemption of said Bonds shall be promptly carried out by the Fiscal Agent for the account of the Government in such manner as it may deem to be to the best interests of the Government, pursuant to the terms and provisions of the indenture of March 9, 1912. For this purpose the Fiscal Agent shall use the first proceeds which it may receive from the sale of bonds as hereinbefore provided.

2. The Government further authorizes the payment of all costs and expenses incident to the preparation of this Agreement, and the preparation, and execution of said Bonds, including fees of Buyer's counsel, which the Fiscal Agent is hereby authorized and directed to pay from the first proceeds of said Bonds, as aforesaid.

3. The remaining proceeds of said Bonds purchased by Buyer shall be from time to time paid out by the Fiscal Agent for the account of the Government for the following purposes, in the following order of priority, to wit:

4. Thirty-Five Thousand Dollars, or such less amount as shall be sufficient to enable the Government to repay the advances heretofore made to it by the Secretary of the Treasury of the United States under the Act of September 24, 1917, known as "Second Liberty Loan Act" as amended and supplemented, and the interest thereon;

5. Dollars, or such less amount as shall be sufficient to enable the Government to pay its internal funded debt, and the interest thereon;

6. Dollars, or such less amount as shall be sufficient to enable the Government to pay its internal floating debt;

7. Improvements and developments as set out in the preamble on page 1, sub-paragraphs *a, b, c, d, e* and *f*.

Such payments shall be made from time to time by the Fiscal Agent from funds available in its hands therefor to the credit of the Government, upon the request of the Secretary of the Treasury of the Republic of Liberia, certified and approved in manner and form satisfactory to the Fiscal Agent by the Financial Adviser.

ARTICLE XII. 1. The Government agrees that the Secretary of the Treasury, the Secretary of the Interior, the Secretary of War, the Postmaster General, and other officials shall co-operate with the Financial Advisor to bring order and system into the finances of the Government and to that end, the Financial Advisor shall devise for the Republic of Liberia and for any local governmental authority therein such methods of accounting, rules and regulations for the collection, application and administration of the public revenues and receipts as may be necessary to assure the collection of such revenues and the enforcement of the laws, rules and regulations pertaining thereto; and such administrative orders or regulations shall be issued at the request of the Financial Adviser by the department head for whose department or under whose jurisdiction any such regulation, rule or order applies. The Government shall fix penalties not inconsistent with the constitution and laws of Liberia for the violation of such administrative orders, rules and regulations as may be issued as above.

2. Only the Financial Adviser as such is authorized to communicate directly with any official or branch of the Government, but by agreement between the Government and the Financial Adviser, any official appointed under this agreement may be authorized to correspond directly with any official of the Government with whom he may have business.

3. For the further security of the assigned revenues and receipts, the Government shall maintain the Liberian frontier force, and shall further maintain such patrol service by sea as may be necessary from time to time. The patrol service by sea shall be maintained by the Treasury Department Customs Service. The frontier force shall be maintained as a part of the War Department and the strength of the force shall be fixed by agreement between the President of Liberia and the Financial Adviser, and it shall not be increased or reduced in number without the assent of the Financial Adviser, except temporarily in case of emergency. Four duly qualified and experienced officers shall be recommended by the President of the United States to the President of Liberia, and if approved by him, shall be appointed as the four senior officers of the frontier force, who shall be as follows: one colonel, two major inspectors, and one captain, who shall be adjutant. The total aggregate salaries of said officers shall not exceed the sum of sixteen thousand dollars (\$16,000) per annum; provided however, that such total may be at any time increased or diminished by agreement between the Government and the Fiscal Agent. Such salaries shall include all allowances, except medical care and attention, travel on duty, and quarters, which shall be furnished by the Government. Such officers shall serve in the frontier service during

the term of said Bonds. Such officers shall prepare a plan of reorganization of the force which shall be based on the idea of creating an efficient constabulary organization for the purposes aforesaid and which shall include the qualification and appointment and disciplining of all commissioned and non-commissioned officers and the training of the men in accordance with the best practice now obtaining in similar organizations.

4. The funds for the maintenance of the frontier force shall be administered by the Treasury Department under the same plan and system as for other sections of the Government. The Commanding Officer of the force may, if he deems it desirable, communicate directly with the President of Liberia.

5. The assigned revenues and receipts shall, during the term of said Bonds, be payable only in gold, of the present standard of weight and fineness of gold coin of the United States of America, or its equivalent, and the rates and the amounts thereof shall not be decreased without the approval of the Fiscal Agent, but may be increased so as to meet the expenses of the service of the loan, and the expenses of the administration of the Government. No custom house shall be established or discontinued or opened or closed without consultation with and the agreement of the Financial Advisor. The Comptroller of the Treasury, together with the Auditor, shall prepare for the Secretary of the Treasury, the Fiscal Agent and the Financial Adviser quarterly and annual reports of the financial administration and of the collection and application of the assigned revenues and receipts. Such reports shall contain the detail of all financial transactions of the Government.

6. The Government covenants to install and maintain the pre-audit system, whereby all accounts of the Government before payment shall be duly presented to the Auditor and shall be audited. The Auditor, upon the submission of any account for his check and after examination of the appropriation to which it is chargeable to ascertain that the same has not been over expended and that the account is correct, properly verified and payable, shall indicate his approval by appropriate signature and shall approve the transfer from the general deposit account in the official depository to the disbursement account in the designated depository of a sum sufficient to meet the Secretary of the Treasury's check for the particular account and payee specified. No payments shall be made except in accordance with the budget or appropriation law and all payments shall be made by check on the disbursement account to be opened and maintained in the designated depository of the general government. Payments to troops or other payments which must be made in cash shall be by check to a bonded paymaster, who shall make the detail

of disbursements in accordance with the audit rules and regulations which are to be prepared and enforced in accordance with the provisions hereinbefore stated.

7. The proceedings of the Legislature of Liberia relating to financial matters shall be reported stenographically daily by the Government and typewritten copies of such proceedings shall be furnished to the President of the Republic, the Secretary of the Treasury, the Secretary of the Interior and the Financial Adviser.

8. The Government shall annually enact a budget which shall set up in detail the estimates of revenues and receipts for the fiscal year and shall duly appropriate and provide in the said budget for the costs and expenses of collection of the revenues and receipts, and the expenses of the various departments of the Government, including the salaries and expenses of the Financial Adviser and his staff, as herein provided, the service of the loan, general administrative expenses, public works and improvements and all other amounts which under this Agreement or otherwise the Government is by existing laws or understandings, contracts or engagements, required or obligated to pay; and this shall be done in the following way:—At least thirty days before the opening of each regular session of the Legislature of Liberia, the Secretary of the Treasury shall prepare an itemized budget for the ensuing year, which shall contain statements in detail of the probable revenues and receipts of the Government for the ensuing fiscal year from all sources, and of all proposed expenditures chargeable in any manner against such revenues and receipts. This proposed budget shall be prepared in consultation with the Financial Adviser, whose duty it shall be to assure that the amounts provided to be appropriated for expenditure shall not exceed the resources of the Government, as shown by careful examination and comparison of the revenue estimates, and who shall further examine the proposed budget to ascertain that all expenditures which are provided to be made by virtue of any of the provisions of this Agreement shall have been properly included in the proposed statement of expenditures. In the event of the failure of the Financial Adviser to approve the budget as prepared by the Secretary of the Treasury of Liberia, the budget of the previous year shall be operative in so far as it applies to the ordinary operating expenses of the Government and the expenditures provided to be made by virtue of any of the provisions of this Agreement, for the ensuing fiscal year only. Within 10 days after the enactment of the budget, the Secretary of the Treasury of Liberia shall deliver to the Financial Adviser a copy thereof as enacted and a statement of all appropriations, regular and special, which shall have been made. All

accounts of the Government shall be subject to examination and verification by the Financial Adviser at all reasonable times.

9. All revenues and receipts of the Government except as hereinafter provided, shall be deposited in a bank designated jointly by the Fiscal Agent and the Government as the official depository. All deposits made with said depository and all payments made therefrom shall be in accordance with the provisions hereof.

ARTICLE XIII. The assigned revenues and receipts shall be applied by the Government as follows:

1. To the payment, as they arise, of all costs and expenses of collection, application, and administration of the assigned revenues and receipts, including the salaries of the Financial Adviser and the officers appointed hereunder, and the salaries of the employees of the revenue service, both customs and internal, the cost and expenses of maintaining the frontier force, and any other legitimate expenses or obligations incurred under this agreement, including the cost of appropriate quarters, and all amounts incident to the service of the loan except as to payments on account of principal and interest, for which provision is hereinafter made.

2. Thereafter to the payment to the depository on the first day of each month for account of the Government of such sums as may be necessary to enable the Government to pay as they become due the current administrative expenses of the Government, but not in any year more than the sum set forth as the estimate of current administrative expenses of the Government in the budget and appropriation acts prepared and adopted as hereinbefore provided.

3. Thereafter to the payment to the Fiscal Agent on the dates hereinbefore stated, of an amount equal to the interest to be due and payable on the next semi-annual interest date hereinbefore stated.

4. Thereafter to sinking fund payments provided for in Article V hereof.

5. The remainder thereof shall be applied so far as may be necessary to the payment of any other amounts which the Government may, with the approval of the Financial Adviser be required to pay.

6. The sums that may remain after the payments provided in the first five clauses of this article have been made shall be applied as follows:

Such sums shall be credited by the depository to an account hereinafter referred to as the reserve account. Moneys in the reserve account shall be applied, in so far as possible, only for the improvement of public education in Liberia and for public works, except that in emergency the same may be applied to some purpose not covered by the ordinary budget. Moneys shall be transferred for expenditure from the reserve account only with the consent of the Financial

Adviser. Whenever and for so long a period as the assigned revenues and receipts shall be insufficient to meet the payments required to be made by clauses 1, 2, 3, 4 and 5 of this article, the depositary shall cease paying out the moneys from the reserve account and such funds may be applied by the Government to meet the payments provided in clauses 1, 2, 3, 4, and 5 of this article.

7. At the end of each fiscal year, all unexpended balances of the budget or appropriations shall be reported, together with notation of any commitments or reservations or amounts outstanding in suspense against the same, and the budget for the following year shall take into consideration any outstanding commitments or unadjusted balances, but no sums shall be expended after the close of the fiscal year against the preceding years budget, the purpose being that all expenses for each year shall be budgeted annually.

8. The Government shall make no expenditures, except as hereinbefore provided and for the purposes and in the manner hereinbefore provided, and shall not incur any liability or obligation to make expenditures otherwise. All salaries and expenses incident to the collection, application and administration of the assigned revenues and receipts and maintenance of the frontier force shall be disbursed in accordance with the provisions of this agreement.

9. The Government and the Financial Adviser, or such person as he may designate, and the auditor shall have the right at any time and from time to time to examine and audit the books and accounts of the depositary in connection with its acts as depositary. Monthly or quarterly statements of such accounts shall be rendered by the depositary to the Financial Adviser and to the Fiscal Agent. A copy of said monthly or quarterly statements shall be furnished by the depositary to the Secretary of the Treasury of Liberia.

10. Agencies or branches of the depositary shall be opened or established at such places in the interior or on the coast of Liberia as the Government, upon the advice of the Financial Adviser, may decide are necessary for the protection of the assigned revenues and receipts, and for their convenient application and administration.

ARTICLE XIV. None of the provisions of the present Agreement shall be deemed or construed to create any trust or obligation in favor of any holder of any of the outstanding obligations of indebtedness of Liberia or in favor of any owner of any coupons or claim for interest on, or in respect of any thereof, or in favor of any holder of any claims against Liberia. Any and all claims against the Government which may not be discharged under the provisions of the present Agreement shall be submitted to a claims commission, composed of the Secretary of the Treasury of Liberia, the Auditor and the Financial Adviser. This claims commission shall have power

to determine the validity of any and all such claims, and its decision shall be final.

ARTICLE XV. Until the Government has repaid the whole amount of the loan and all expenses incident to the service thereof, no floating debt shall be created and no loan for any purpose shall be made, except with the written approval of the Financial Adviser.

ARTICLE XVI. In case of malfeasance in office, neglect of duty, or inefficiency on the part of any official appointed hereunder to the fiscal service of the Government, or employee of the Financial Adviser or the frontier force, the Government reserves the right to demand his dismissal. Any such demand not concurred in by the Financial Adviser shall be referred to arbitration as provided in Article XXV hereof, with a view, if the facts warrant, to the dismissal of the official or employee indicated. With the exception of the Financial Adviser and such assistant as may be acting as Financial Adviser, any official or employee of the Financial Adviser or the frontier force may be temporarily suspended for cause by the Government with the concurrence of the Financial Adviser or the officer acting in his stead. The Government pledges itself to inflict prompt and adequate punishment upon any Liberian civil or military official who may be guilty of misconduct or malfeasance in office.

ARTICLE XVII. 1. The Government of Liberia hereby agrees that the fiscal agency created by the agreement of March 9th, 1912, shall lapse with the payment of the Bonds secured thereby, and shall be in all respects superseded by the provisions of this agreement.

2. The three separate agreements heretofore on September 16th and 17th, 1925, entered into by the Government with the Firestone Plantations Company, a Delaware Corporation, providing for,—

1. Lease of the Mount Barclay Rubber Plantation,
2. Lease of certain lands of the Government for the purposes of planting and growing rubber thereon,
3. Improvements to the harbors of the Government,

and respectively containing immunity in respect of the payment of taxes and duties as therein stated, are hereby in all respects ratified, approved and confirmed, and it is understood and agreed between the parties hereto that this agreement is entered into in all respects subject to the provisions of said agreements between the Government and the Firestone Plantations Company, in so far as the same relate to the payment of taxes and duties on the part of it, the said Firestone Plantations Company.

ARTICLE XVIII. The Government shall enact all such legislation as may be required for the complete authorization and legalization of the present agreement and of all action called for by the present

agreement on the part of the Government or necessary or convenient to carry out the terms and provisions thereof.

ARTICLE XIX. The Government covenants to designate as the depositary hereunder, such bank in the city of Monrovia, in Liberia, as shall be agreeable to the Fiscal Agent, and such designation shall be terminated by the Government upon the request of the Fiscal Agent. Any arrangement which the Government may make with the depositary shall embody the provisions of this agreement and such depositary shall undertake to comply herewith. In case the depositary shall cease to act as such by reason of such termination of its designation or otherwise, a new depositary shall be designated in the same manner as above provided. Moneys paid to the depositary for the account of the Government, as provided in this agreement, shall be held by the depositary and paid out as follows:

Moneys paid to the depositary under the provisions of Article XI shall be deposited in one or more special deposit accounts, as may be from time to time determined necessary or desirable, and no expenditures shall be made therefrom. Transfer from these accounts of moneys to be disbursed shall be on order of transfer requested by the Secretary of the Treasury and approved by the auditor, and countersigned by the Financial Adviser and such transfer shall be made only to a disbursement account to be opened and maintained by the designated depositary, on which disbursement account checks may be drawn for expenditure, as hereinafter provided.

Moneys paid to the depositary hereunder, whether remitted by the Fiscal Agent or deposited by the Treasury Department or any other officer or agency of the Government, shall be deposited in one or more deposit accounts to be opened and maintained by the depositary, and shall be transferred for disbursement to one or more disbursement accounts to be likewise opened and maintained by the depositary and shall not otherwise be expended or transferred. Such transfers from deposit account to disbursement account shall be made only as provided in the foregoing paragraph.

Moneys in the disbursement account or accounts which are to be disbursed in accordance with the provisions of Article XI shall be disbursed in the following manner, viz:

a. No sum shall be disbursed in amounts greater than those provided by the budget, but

b. Unexpended credits to any account provided for in the budget may be transferred to any other account of the budget by and with the approval of the majority of a commission composed of the Secretary of the Treasury, Financial Adviser and the Auditor, who shall

certify such approval to the Comptroller for appropriate notation in the appropriation ledger, and

c. Should it be deemed necessary and desirable, moneys available by reason of accumulated credits as provided for in Article XIII, paragraph 6, may be used, and an extraordinary or supplemental budget may be prepared for their disbursement, by and with the joint approval of the Secretary of the Treasury and of the Financial Adviser and authorized by the executive power. Such moneys shall be available for disbursement from the disbursement account or one of the disbursement accounts the same as other funds of the Government.

d. All moneys available for disbursement shall be expended only upon the submission to the auditor of a properly authorized and verified account showing the name or names of the person or persons to whom said moneys are to be paid, and the article of the budget or appropriation law whereby such expenditure is authorized shall appear on the face of the request for payment, together with any other necessary information to enable the auditor properly to examine and check the warrant for payment. Upon the auditor duly examining and verifying the balance of the appropriation credit against which said voucher is to be paid, the auditor shall signify his approval by an order of release from the designated deposit account to the designated disbursement account, of a sum sufficient to meet the check or checks to be made and drawn in payment of said warrant. Thereupon the Secretary of the Treasury shall sign the check and the auditor shall countersign to indicate his verification of the article of the appropriation law, the correctness of the charge, and the correctness of the check, whereupon said check may be paid by the designated depository on presentation by the person to whom the same is drawn or by the specific person to whose order it has been transferred.

e. No checks shall be payable to bearer.

The auditor shall prepare at the end of each month a statement to each departmental head and to the President and Financial Adviser, which shall show the condition of each article and detail of the current appropriations showing the amount appropriated, the amount expended to date, the amount reserved in suspense, if any, and the balance available for disbursement.

ARTICLE XX. The Fiscal Agent accepts its appointment as such, and agrees to perform its obligations under this Contract upon the terms and conditions herein set forth, including the following:

(*a*) If the Fiscal Agent shall at any time be in doubt with respect to its rights or obligations hereunder or with respect to the rights of any holder of any Bond, the Fiscal Agent may advise with legal counsel, and anything done or suffered by it in good faith in accordance with the opinion of such counsel shall be conclusive in its favor

as against any claim or demand by the Government or any holder of any Bond.

(b) The Fiscal Agent shall not be responsible to the Government or to any holder of any Bond for any mistake or error of fact or of law or for the exercise of any discretion or for anything which it may do or cause to be done in good faith in connection herewith, except only for its own wilful default.

(c) The appointment of the Fiscal Agent by the Government is irrevocable, except for good and sufficient cause; but the Fiscal Agent may resign at any time, by giving notice of resignation to the Government at least four weeks before such resignation takes effect, and by publishing such notice at least once a week for four consecutive weeks in each of two newspapers of general circulation, published in the City of New York, United States of America.

(d) In acting under this contract, the Fiscal Agent is solely the agent of the Government and does not enter into or assume any obligation or relationship of agency or trust for or with any of the holders of any Bond or its interest coupons.

ARTICLE XXI. It is expressly understood, however, that all power and authority temporarily delegated under this agreement to the Financial Adviser or any officer appointed hereunder is granted solely for the purpose of facilitating the carrying out of this agreement, and upon the discharge by the Government of the obligations herein assumed all said power and authority so delegated shall automatically revert unimpaired to the Government.

ARTICLE XXII. The Government shall pay to the Fiscal Agent reasonable compensation for all services rendered hereunder and a sum equivalent to one-quarter of one per cent. of the face amount of all interest coupons, as paid, and to one-eighth of one per cent. of the principal amount of all Bonds, as retired, whether paid at maturity or purchased or redeemed prior to maturity, as hereinbefore provided. Payment of such compensation shall be made to the Fiscal Agent in gold coin of the United States of America, in the City of New York, upon statements rendered semi-annually by the Fiscal Agent to the Government, as hereinafter provided. The Fiscal Agent shall allow and pay to the Government on moneys other than deposits for the payment of coupons or the redemption of Bonds, remaining on deposit with the Fiscal Agent for thirty days, or more, interest at the rate of two per cent. per annum. The Fiscal Agent may treat all such moneys as time deposits. The Fiscal Agent shall not be answerable for the default or misconduct of any agent or attorney appointed by it in pursuance hereof if such agent or attorney shall have been selected with reasonable care. The Fiscal Agent shall be reimbursed and indemnified by the Government against any lia-

bility or damage which it may sustain or incur in the premises and the Fiscal Agent shall have a lien upon any moneys deposited in the Sinking Fund preferential to that of the Bonds, for any such liability or damage.

ARTICLE XXIII. The Fiscal Agent shall render to the Secretary of the Treasury of Liberia in each year semi-annual statements of account covering the semi-annual periods ending December 1 and June 1, in such year of all receipts and payments and expenses made or incurred by it during the respective periods, provided that the first statement shall be rendered for the period commencing with the date of this Contract and ending June 1, 1926. Unless objection to any such statement of account shall be made by the said Secretary of the Treasury to the Fiscal Agent within two months after the receipt of such statement of account by him particularly specifying the ground or grounds of such objection or objections, the statement of account shall be deemed to be correct and conclusive between the Government and the Fiscal Agent. The Government shall promptly pay or cause to be paid as part of the service of the Bonds, the expenses of the Fiscal Agent as shown in such statement. The expenses of such service may include among other things expenses of printing and advertising, cost of exchange and remittance of funds, brokerage charges, postage, cable, telegraph and telephone charges, charges of legal counsel and other usual expenditures.

ARTICLE XXIV. Nothing in this Contract expressed or implied is intended, or shall be construed, to give any person, other than the parties hereto, any right, remedy or claim under or by reason of this Contract or any covenant, stipulation or condition herein contained.

ARTICLE XXV. Notices to the Government in connection with this Contract or the performance of any of the terms hereof, may be given by written communication, or by cable, addressed to the Secretary of the Treasury of the Republic of Liberia at Monrovia. Notices from the Government to the Fiscal Agent in connection with this Contract may be given by written communication, or by cable, addressed to The National City Bank of New York, at No. 55 Wall Street, New York City, United States of America.

ARTICLE XXVI. In case of dispute between the Government and either of the other parties to this Contract, the matter shall be referred for determination to arbitrators, one of whom shall be appointed by each of the parties to dispute; and, if such arbitrators shall be unable to agree among themselves, the Secretary of State of the United States of America shall be requested to appoint an additional arbitrator. The decision of a majority of the arbitrators so appointed shall be binding and conclusive upon the parties to the dispute.

ARTICLE XXVII. The Bonds may, at the option of the Buyer, be engraved in such form as to be eligible for listing on the New York Stock Exchange, and the Government agrees in such case to furnish such information as may be required in connection with any application to list such Bonds on the said Stock Exchange. The Government will pay, as a part of the expenses in connection with the service of the Bonds, the cost of such listing.

ARTICLE XXVIII. The obligations of the Buyer under this Contract are expressly conditioned upon the due ratification and sanction of this Contract by the Legislature of the Republic of Liberia on or before January 1st, 1926 and upon approval by counsel for the Buyer of the legality of the loan and the form and legality of the Bonds, including all proceedings in connection with the authorization, sanction and issue of the loan and the said Bonds, and the Government agrees to furnish to the Buyer prior to the delivery of any Bonds, all such documents, instruments, assurances and proof of legality as counsel for the Buyer and the Buyer may require. If the Legislature shall fail to ratify and sanction this Contract on or before said date, or if the Government shall fail to deliver to the Buyer a temporary Bond within sixty (60) days after such ratification, or if counsel for the Buyer shall be unable to give their approval as above provided in this Article XXVIII, then the Buyer and the Fiscal Agent shall be, respectively, relieved and discharged from any and all obligations or duties under this Contract, and the Government shall pay to the Buyer and the Fiscal Agent, respectively, all expenses which they shall have paid or incurred respectively in connection herewith.

ARTICLE XXIX. This Agreement shall come into force and effect when approved by the Legislature of the Republic of Liberia, on the day and date then specified.

Done at New York this day of , 1925.

.
*Secretary of the State of the
Republic of Liberia
Plenary Commissioner of Liberia*

Finance Corporation of America,
By
*President
Buyer*

Attest
.
Secretary

The National City Bank of New York,
Fiscal Agent

Attest
.
Cashier

By

[Enclosure—Exhibit A]

Form of the Bonds To Be Issued Under the Loan Agreement

No. —

\$ —

REPUBLIC OF LIBERIA
EXTERNAL FORTY YEAR SECURED SINKING FUND
SEVEN PER CENT. GOLD BOND

For value received, the Republic of Liberia (hereinafter referred to as the "Republic") promises to pay to Bearer, or if the ownership of this Bond be registered, to the registered owner hereof on, 1965, the principal sum of Dollars, and to pay interest thereon from the date hereof at the rate of seven per cent. per annum semiannually on July 1 and January 1 in each year, until such principal sum is paid; but any such interest falling due at or before the maturity of this Bond shall be paid only upon the presentation and surrender of the attached interest coupons as they severally mature.

Both principal and interest of this Bond are payable at the head office of the Fiscal Agent, The National City Bank of New York, in the Borough of Manhattan, City and State of New York, United States of America, in gold coin of the United States of America, of or equal to the present standard of weight and fineness, and shall be paid in time of war as well as of peace, whether the holder of the Bond is a citizen of a friendly or hostile state, without deduction for or on account of any taxes, assessments or other governmental charges or duties now or hereafter levied or to be levied by or within the Republic or by any taxing authority thereof.

This Bond is one of a duly authorized issue of \$5,000,000, aggregate principal amount, of Bonds of the Republic of Liberia, designated as its "External Forty Year Secured Sinking Fund Seven Per Cent. Gold Bonds" all of like date and maturity and similar tenor, except as to denomination, and all issued [*sic*]

The terms of issue of the said Bonds are set forth in a certain contract, dated, of which a copy is on file with the Fiscal Agent hereinafter mentioned, to which contract reference is made for the terms thereof.

The due and punctual payment of the principal and interest of this Bond and of all sums required by the said contract to be paid on account of the Sinking Fund are secured and guaranteed by a first

charge upon all the customs revenues and internal revenues of the Republic, subject only to a prior charge on such customs revenues for expenses of administration.

This Bond may be redeemed at 102 per cent. of the principal hereof through the operation of the Sinking Fund provided for in the said Contract, on any semiannual interest date prior to maturity, upon at least sixty days prior notice, published in two daily newspapers of general circulation, published in the Borough of Manhattan, City and State of New York.

The Republic hereby certifies and declares that all acts, conditions and things required to be done and performed and to have happened precedent to and in the issuance of this Bond have been done and performed and have happened in strict compliance with the constitution and laws of the Republic.

This Bond shall be transferable by delivery unless registered in the owner's name at the said head office of the Fiscal Agent, such registration being noted hereon. After such registration, no further transfer hereof shall be valid unless made at said office by the registered owner in person or by duly authorized attorney and similarly noted hereon; but this Bond may be discharged from registration by being in like manner transferred to bearer and thereupon transferability by delivery shall be restored. This Bond shall continue to be subject to successive registrations and transfers to bearer, at the option of the holder or registered owner, but no registration shall affect the negotiability of the attached interest coupons, which shall continue to be payable to bearer and transferable by delivery merely.

Bonds of this issue, of the denomination of \$500, are exchangeable, at the option of the respective holders thereof, for a like aggregate principal amount of Bonds of this issue, of the denomination of \$1000, in the manner and upon payment of the charges provided in the said contract.

This Bond shall not be valid or obligatory for any purpose until authenticated by the execution by the Fiscal Agent of the certificate indorsed hereon.

IN WITNESS WHEREOF, the Republic of Liberia has caused this Bond to be executed on its behalf by its , and impressed with a facsimile of its seal of State, attested by , and the attached interest coupons to be executed with the facsimile signature of its Secretary of the Treasury, as of , 192 . . .

882.6176 F 51/63

*The Liberian Secretary of State (Barclay) to the Secretary of State*NEW YORK, *September 25, 1925.*

[Received September 28.]

MR. SECRETARY OF STATE: On my departure from the United States I desire to express to Your Excellency my sincere appreciation of the most sympathetic and courteous consideration paid me whilst resident in your great country, and to record both officially and personally my thanks for the helpful suggestions and assistance rendered me by your Department in the various matters with which I have been charged.

Permit me to add that I return to Liberia in the firm conviction that the Government of the United States faithful to the traditional ideals of its founders is working for the untrammelled development of the various peoples of the world along democratic lines and that my country and its Government might rely upon the disinterested assistance and cooperation of the Great American Republic upon all proper occasions.

Please accept [etc.]

EDWIN BARCLAY

882.51/1840

The British Chargé (Chilton) to the Secretary of State

No. 877

WASHINGTON, *October 7, 1925.*

SIR: Information has reached His Britannic Majesty's Government to the effect that negotiations have been undertaken, or are in contemplation, between certain industrial or financial groups in the United States and the government of the Republic of Liberia in regard to the granting to the latter of a loan one of the conditions of which would be, it is understood, that a nominee of the United States should be placed in sole control of the Liberian customs. In this relation I am directed to draw your attention to a note addressed on the 13th September, 1919, by the late Lord Curzon, to Mr. John W. Davis, then United States Ambassador in London,⁵⁴ defining the terms on which His Majesty's Government agreed to the withdrawal of the British Receiver of Liberian Customs. In the following passages of that note the attitude of His Majesty's Government was indicated:—

"1. According to a system now in force in the Liberian customs administration permits to exceed in certain respects the strict letter of the customs regulations have hitherto been granted by the authorities equally to reputable traders of all nationalities when prompt handling of merchandise would be thereby facilitated. The necessity

⁵⁴ *Foreign Relations*, 1919, vol. II, p. 484.

for such a system is occasioned, it is understood, largely, if not entirely, by the absence in Liberia of "bonded warehouses", properly so-called. His Majesty's Government, then rely upon the continued observance under the new administration of strict impartiality in the issue of such permits to British traders.

2. His Majesty's Government are confident that the customs dues on all imports of British goods, as well as on exports of Liberian produce of all descriptions without exception, to any part of the British Empire, will be levied at no higher rates than, and in an exactly similar manner as, on imports of United States merchandise into Liberia, and exports of produce from Liberia to the United States of America.

3. It is assumed that the United States Government in the special position which they are in future to occupy in Liberia, will support any representations which His Majesty's Government might at any time be called upon to make to the Liberian Government, should the latter take any action to cancel, limit, or infringe the rights possessed by British subjects by virtue of the existing concessions in the country."

His Majesty's Government now desire me to say that so long as they refrain from exercising their right of appointing a British Receiver of Liberian customs, they naturally expect that the stipulations above quoted will remain in force and they are confident that equality of treatment for all nationalities will be maintained in Liberia.

I have [etc.]

H. G. CHILTON

882.51/1840

Memorandum by the Secretary of State of an Interview With the British Ambassador (Howard), October 19, 1925

I explained to the British Ambassador very briefly the attitude of the United States in Liberia as to the open door policy and told him I would answer his note of a recent date as soon as possible.

882.51/1843 : Telegram

The Secretary of State to the Ambassador in France (Herrick)

[Paraphrase]

WASHINGTON, *October 28, 1925—8 p. m.*

398. The Department of State is informed that Mr. Barclay, Secretary of State of Liberia, at present in Paris,⁵⁵ is expecting direct word from this Department containing approval of the tentative

⁵⁵ In connection with the Franco-Liberian boundary dispute, see pp. 495 ff.

loan terms negotiated recently by him with American banking interests.

This is caused, the Department is informed, by a misunderstanding of the practice of the Department in such matters on the part of the General Receiver of Customs of Liberia, De la Rue. Please let Barclay know that it is necessary to follow the usual procedure with regard to the flotation of foreign loans, according to the outline in the Department's statement of March 3, 1922,⁵⁶ of which a copy was included with circular instruction in May 1922, and that the representative of the bankers has been informed accordingly.

The tentative terms of the loan have already been submitted informally to the Department by the bankers.

It is the intention of the Department to advise the bankers informally of its views at an early date. It assumes that any modifications in the agreements, which the bankers may then think wise will be made a matter of direct negotiations between the bankers and the Government of Liberia.

When the final terms of the loan are submitted to the Department, it will then indicate to the bankers whether or not it finds any basis for objection, in accordance with the principles of the statement of March 3, 1922.

If and when any of the terms of the final loan agreement calling for the nomination of a financial adviser or any other action by the American Government, are to be brought into operation, the Liberian Government will then, it is understood, request officially the good offices of the American Government in the matter.

When outlining this course to Mr. Barclay, you should make it plain that the procedure accords with the well-defined policy of the Department with regard to the flotation of foreign loans in this country and that it represents no change whatever in the attitude of the American Government toward Liberia, the Firestone project, or the loan proposals.

If Barclay desires for his guidance a memorandum containing the substance of this telegram, you may supply it to him.

KELLOGG

882.6176 F 51/145a

The Secretary of State to Mr. Harvey S. Firestone

WASHINGTON, *October 31, 1925.*

SIR: I beg to acknowledge the receipt of copies of the three agreements relating to your enterprise in Liberia which you were good enough to forward to Mr. Carter of this Department. In this con-

⁵⁶ *Foreign Relations, 1922*, vol. I, p. 557.

nection, I desire to refer to conversations which you and your representatives had with officials of this Department last December with reference to the term of the concession.⁵⁷ At that time it was pointed out to you and your associates that it appeared advisable either that the term of the concession be shortened from ninety-nine years or that some provision be made for revision of the fiscal relations between the Company and the Government in case the longer term were retained. With respect to the question of adjusting fiscal arrangements, mention was made of the possibility of some form of arbitration.

The Department has noted that the text of the agreement recently forwarded to the Department provides for a term of ninety-nine years without provision for review of its terms prior to the end of the period. With reference to this matter, I desire to refer to your telegram of April 28, 1925, to Mr. Castle⁵⁸ and to a letter of May 26, 1925, from Mr. Harvey S. Firestone, Jr.,⁵⁸ transmitting (with other documents) copy of a message which you addressed on that date to Mr. W. W. Hoffman of the National City Bank,⁵⁹ relating to the terms of the arrangement. It appears from these documents that you took up with the Liberian Government the matter of the term of the lease, but that the Government raised objection to an arrangement along the lines indicated in the preceding paragraph. This Department will be glad to receive such further information as you can give on this point.

I beg to refer also to provision in paragraph (j) of Article IV of "Agreement No. 2" to the effect that the lessee shall endeavor to procure a loan "either from the Government of the United States or with the approval of the Secretary of State of the United States from some other person or persons". In this connection I desire to call attention to the next to the last paragraph of Mr. Hughes' letter to you dated December 22, 1924, and also to the enclosed copy of the Department's statement of March 3, 1922, regarding the flotation of foreign loans.⁶⁰ It is not the practice of the Department of State to pass upon such loans in the sense of approving or disapproving them.

I am [etc.]

For the Secretary of State:

LELAND HARRISON

Assistant Secretary

⁵⁷ See memoranda of Dec. 12, 1924, pp. 385 and 387.

⁵⁸ Not printed.

⁵⁹ *Ante*, p. 433.

⁶⁰ For Department's statement of Mar. 3, 1922, see *Foreign Relations*, 1922, vol. I, p. 557.

882.51/1844: Telegram

The Ambassador in France (Herrick) to the Secretary of State

[Paraphrase]

PARIS, November 2, 1925—3 p. m.

[Received November 2—2:22 p. m.]

534. Your 398 of October 28th. The Liberian Secretary of State, Barclay, informs me that he understands fully the policy of the Department regarding the flotation of foreign loans in the United States, and that he does not expect to receive from the Department a memorial opinion on the tentative loan terms, which he describes as being in an "academic stage" as far as his Government is concerned. For his further guidance the substance of your 398, dated October 28th, was conveyed to him by memorandum.

HERRICK

882.6176 F 51/67

Mr. Harvey S. Firestone to the Assistant Secretary of State (Harrison)

AKRON, OHIO, November 23, 1925.

[Received November 27.]

DEAR MR. HARRISON: The pressure of business connected with the close of our fiscal year has prevented me from answering your letter of October 31st, and I trust you will pardon the delay.

We originally prepared our proposal to cover a term of ninety-nine years at a certain rental. It was the suggestion of your Department that a shorter term subject to renewal and revision of rates, might be more equitable. We changed our proposed contract to conform to this opinion, and in the form taken to Liberia by our Mr. Hines and there presented to the Liberian Government it called for a term of fifty years subject to renewal, revision of rates and arbitration thereof in the event of dispute. Many weeks were there taken up in negotiations. The Liberian Government rejected the shorter term provisions, and put back in the provision that the contract be for the long term with fixed rental not subject to revision, as it is now written. The contract being otherwise satisfactory to us, we had no alternative except to submit.

With reference to loan provisions, they appear in the final executed contracts on account of the desire of the Liberian Government to have our assistance and the State Department's advice in securing whatever loan they might be able to obtain in this country—it being, of course, understood that such would not be available to them if not consistent with the policy of our State Department.

I hope to have the pleasure of calling upon you the next time I am in Washington, and I wish to thank you for your letter.

Yours very truly,

H. S. FIRESTONE

882.6176 F 51/207 : Telegram

*Mr. Harvey S. Firestone to President King of Liberia*⁶¹

[AKRON, OHIO, December 19, 1925.]

Ross advises that press reports stating we expect employment thirty thousand Americans to supervise plantations has had unfavourable reaction in Liberia. I assure you this is only newspaper story. Actual facts are we will not send one hundred Americans or Europeans to Liberia in 1926 and at no time could we possibly use over one thousand or fifteen hundred for entire development. My regards to yourself Secretary Barclay and best wishes for very happy holiday season.

HARVEY S. FIRESTONE

882.6176 F 51/69

The Secretary of Legation at Monrovia (Wharton) to the Secretary of State

No. 318

MONROVIA, December 29, 1925.

Diplomatic

[Received February 5, 1926.]

SIR: This Legation has the honor to transmit the following report in confirmation of cablegram number 43 dated December 28th, 1925.⁶²

On Wednesday the 16th of December, His Excellency President King, delivered his annual message to the National Legislature. Copies of this message will be transmitted to the Department when available. The message was well received except general criticism because nothing was stated either with reference to the Firestone concession, the loan, or the mission of the Liberian Secretary of State, Hon. Edwin Barclay, to the United States and France. This omission proved shrewd political strategy.

Later, however, at a private meeting all agreements were read to the National Legislature, cabinet, and elder statesmen, (ex-president Arthur Barclay, ex-president D. E. Howard, etc.)

This Legation is well informed that at this meeting President King spoke very favorably towards the United States and Secretary

⁶¹ Copy transmitted to the Department by the Chargé in Liberia under covering despatch of Mar. 13, 1926; received Apr. 15, 1926.

⁶² Not printed.

Barclay's report. Those present were permitted to discuss at length all agreements. . . .

The apprehension relative to the large number of American employees to enter Liberia is entirely over for a cable from Mr. Firestone denying the report that 30,000 men were to be used, was read at this meeting. Further, upon considering the millions of dollars necessary for such a staff of men, the utter impossibility of this propaganda was self evident.

This Legation has little doubt concerning the outcome of the Loan agreement with the Finance Corporation of America, nevertheless, the points raised will make it necessary for an extension, for it is impossible for this agreement to be submitted to the Legislature and negotiations concluded by January 1st, the expiration date of the said corporation's offer. There is a general feeling that should the time be extended the agreements will be modified and ratified before the end of January 1926.

Many points have been raised and contrary views expressed relative to the loan agreement, especially with reference to powers of the Financial Adviser, number and salaries of officials provided, and the pledging of all revenues of the country. However, this Legation is enclosing the present proposed amendments of the President which he hopes will so modify the agreement that it will be acceptable to the Legislature.

These amendments should give no great concern, e. g. :

- (a) Art. II and the omission of the words "in time of war as well as time of peace" may be considered surplusage;
- (b) omission of "direct and control" Art. VII paragraph 2, page 8;
- (c) the change of the wording in Art. IX compels the President to show cause for removal while the Financial Adviser under this amendment does not "request" but merely has to withdraw his recommendation in order to remove an officer. There is nothing stated relative to the Financial Adviser showing cause for such withdrawal of his recommendation;
- (d) mere omission of two words "suitable" and "actual" which are implied when omitted;
- (e) striking out that "No custom house shall be established or discontinued or opened or closed without consultation with and the agreement of the Financial Adviser"; so far as the agreement of the Financial Adviser and his powers hereunder is concerned the objection may be considered justifiable as usurping sovereignty. There is sufficient control left in the Financial Adviser under the budget;
- (f) change in paragraph 6 is absolutely necessary in order to comply with Article 3 section 4 of the Liberian Constitution;
- (g) addition to Art. X should not be objectionable;
- (h) the change in Art. XV seems to be fair and reasonable for the loan must be refunded and until that time no loan can be floated.

In view of the foregoing proposed modifications, while there may arise some difficulty yet unseen, an extension is necessary and it is hoped the desired end will be effected.

This Legation has been placed in an exceedingly embarrassing position for no copies of the agreements reached or signed by the American corporations and the Liberian Commission have been received. It is appreciated that the negotiations are not with the United States Government, however, though this Legation may be familiar with the agreements prior to the visit of Mr. Edwin Barclay, yet there exists a hiatus and it is with difficulty, considering the depleted staff at this post and an unwarranted expenditure of time in obtaining and understanding important information relative to the advancing of American interests. [*sic*]

I have [etc.]

CLIFTON R. WHARTON

[Enclosure 1]

The General Receiver of Customs of Liberia (De la Rue) to the American Minister (Hood)

[MONROVIA,] *December 28, 1925.*

SIR: I have the honor to report, for transmission to the Department that the Agreement with the Firestone and incidentally, the Agreement with the National City Bank of New York have been before the Liberian Legislature in joint session, and have been explained to the Cabinet by the Secretary of State.

2. The Firestone Agreements were the first matters taken up, and with one or two small and unimportant points were generally received with satisfaction. The point that caused the most apprehension and discussion was occasioned by an American newspaper printing that 30,000 American employees would be employed here by Mr. Firestone. The representatives viewed this suggestion with considerable apprehension as it represents a larger number of persons than is contained in the Americo-Liberian population. There was a strong and decided effort to limit the number of employees from the United States which Mr. Firestone would be permitted to bring into this country. Happily I believe this matter is now settled without such legislation being deemed necessary.

3. Another point raised was the question of phraseology in the No. 2 Agreement (Firestone) wherein it was stated that upon Mr. Firestone selecting the land, title would pass. It was thought that this was misleading because the only estate Mr. Firestone would have would be a leasehold estate, and further, it did not specify that he was to pay rent upon taken [*taking*] possession. This point has

been covered by a letter from Mr. Ross and I believe that matter is closed also.

4. The question of the Agreement with the National City Bank of New York has raised a storm of discussion, but up to the present time, I have no reason to be apprehensive as to its successful passage. The delay in getting the documents to Monrovia did not permit the President and Cabinet to make any study of the various papers before the meeting of the Legislature, nor did it permit them to explain to the leaders what it was all about. This has resulted in rendering it impossible to bring the matter properly before the Legislature before January 1, 1926, which date is specified as being the date when the offer on the part of the Finance Corporation of America and the National City Bank expires.

5. Under those circumstances, the President has directed the Secretary of State to cable the National City Bank requesting that the matter be held open and the time extended to the 30th of January, in which request I totally concur as I believe this will bring about a satisfactory ending to the negotiations.

6. In the above connection, the President has requested me to transmit, through the Legation, to the American State Department, by telegraph, my concurrence in the request for this extension of time for the reasons given above. I therefore request you to transmit a cable to the Department incorporating this idea and suggesting to them that the extension requested by the Liberian Government will, in my opinion, result in an entirely satisfactory ending within the next two or three weeks.

I have [etc.]

S. DE LA RUE

[Enclosure 2]

Proposed Liberian Amendments to Draft Loan Agreement

ARTICLE II SHOULD READ:

The Government covenants that both principle [*sic*] and interest of the Bonds will be paid promptly as they respectively become due and that any and all sums and expenses in connection with the service of the issue will be paid in conformity with Article V hereof, and that payments shall be made in the Borough of Manhattan City and State of New York, United States of America, at the Head Office of the Fiscal Agents in Gold Coin of the United States of America of or equal to the present standard of weight and fineness and shall be paid without deduction for or on account of any taxes assessments or other governmental charges or duties now or hereafter levied or to be levied by or within the Government or by any taxing authority thereof.

ARTICLE VII, PARAGRAPH 2, PAGE 8 :

Import and export duties of every kind and character whatsoever, headmonies and all other taxes, imposts and revenues of the Republic shall be collected through the Customs, Postal and Internal Revenue Administration, to be maintained by the Government under the supervision of the Financial Adviser and certain Assistants appointed as hereinafter stipulated who shall co-operate with the Treasury, Postal and Interior Department Officials in the manner hereinafter prescribed. The Government obligates itself to appoint from time to time during the entire life of the Loan the Fiscal Officers required by the terms of this Agreement, who during the life of this Agreement. [*sic*] These Officers shall supervise the collection of the revenues of the Republic from whatever source they may arise, and the application thereof to the service of the loan in accordance with the terms of this agreement or as provided in rules or regulations to be made effective for the purpose of carrying out the provisions and terms hereof.

ARTICLE IX SHOULD READ :

The organization of the customs and internal revenue administration of the Republic shall be supervised by the following officers who shall be nominated by the Financial Adviser, to the President of the Republic of Liberia, (the Financial Adviser having first reported the names of the officers nominated to the Secretary of the United States), and shall be by the President of the Republic of Liberia appointed and commissioned to the respective offices with duties as defined in this Instrument. These Officers shall hold their appointment during good behavior but shall be subject to removal by the President of Liberia for cause, or upon the withdrawal by the Financial Adviser of his recommendation of such officer or officers.

The Auditor and the Assistant Auditor shall hold their appointment during good behavior but may be removed by the President of Liberia for cause or upon the withdrawal of the Fiscal Agents of their recommendation of such officer or officers.

PAGE II, ARTICLE IX LAST PARAGRAPH BUT ONE :

Such salaries paid to the Financial Adviser and the fiscal officers to be appointed as above stated include all allowances of any kind or character whatsoever, provided, however, that said officials shall in addition to such salaries be furnished medical care and attendance; shall be reimbursed for their traveling expenses from the point of departure in the United States at time of appointment or employment to their post in Liberia and return to the United States on termination thereof; and not more often than once in two years,

shall receive their actual traveling expenses by ordinary route to the United States and return. Such expenditure shall conform to the regulation now enforce [*in force*] or which may hereafter be promulgated by the Audit Bureau of the Treasury Department of Liberia.

The Financial Adviser and his assistants shall be entitled to receive reasonable leaves of absence, cumulative over not more than two years, at full pay.

ARTICLE XII, PARAGRAPH 5 SHALL READ:

The revenues and receipts shall, during the term of said Bonds be payable only in gold, of the present standard of weight and fineness of gold coin of the United States of America, or its equivalent and the rates and the amounts thereof shall not be decreased without the approval of the Fiscal Agent, but may be increased so as to meet the expenses of the service of the loan, and the expenses of the administration of the Government. The Comptroller of the Treasury, together with the Auditor, shall prepare for the Secretary of the Treasury, the Fiscal Agent and the Financial Adviser quarterly and annual reports of the financial administration and of the collection and application of the assigned revenues and receipts. Such reports shall contain the detail of all financial transactions of the Government.

PARAGRAPH 6 SHALL READ:

The Government covenants to install and maintain the pre-audit system, whereby all accounts of the Government before payment shall be duly presented to the Auditor and shall be audited. The Auditor, upon the submission of any account for his check and after examination of the appropriation to which it is chargeable to ascertain that the same had not been over expended and that the account is correct, properly verified and payable, shall indicate his approval by appropriate signature and shall approve the transfer from the general deposit account in the official depository to the disbursement account in the designated depository of a sum sufficient to meet the Secretary of the Treasury's check for the particular account and payee specified. No payments shall be made except under warrant of the President in accordance with the budget or appropriation law and all payments shall be made by check on the disbursement account to be opened and maintained in the designated depository of the general Government. Payments to troops or other payments which must be made in cash shall be by check to a bonded paymaster, who shall make the detail of disbursements in accordance with the audit rules and regulations which are to be prepared and enforced in accordance with the provisions hereinbefore stated.

ADD TO ARTICLE X THE FOLLOWING CLAUSE:

It is understood by the parties hereto that the Government may at any time it deems desirable offer for sale in such amounts as it may decide the bonds covering the remaining Two and one-half million dollars authorised under this agreement.

ARTICLE XV SHOULD READ:

Until the Government has repaid the whole amount of the loan and all expenses incident to the service thereof, no floating debt shall be created and no loan for any purpose shall be made, except with the written approval of the Financial Adviser, but that the Government may at such time as it sees fit negotiate a refunding loan for the retirement of the present loan.

REQUEST BY LIBERIA FOR THE GOOD OFFICES OF THE UNITED STATES IN THE BOUNDARY DISPUTE WITH FRANCE⁶³

751.8215/209

The Minister in Liberia (Hood) to the Secretary of State

No. 285

MONROVIA, July 2, 1925.

Diplomatic

[Received August 10.]

SIR: This Legation has the honor to herewith submit a protest⁶⁴ against certain alleged aggressive acts of the French Republic upon the peace and territory of Liberia and requesting that the good offices of the United States be exercised in procuring a peaceful adjustment of the situation. This situation as set forth in this protest is sustained by documentary evidence and well known facts which can be authenticated by the testimony of many living witnesses, especially the American officers who have in recent years and are now serving as commanders of the Liberian Frontier Forces.

The whole question is daily becoming more acute and threatening to assume proportions which will make future settlement more difficult.

After careful study of this whole situation during the past four years there seems very little room for doubt as to what the ultimate intention of the French Republic is. The history of this matter will show that almost each time any question has come up for settlement, the stronger power forced its will upon the weaker.

In 1885, the French Government made a claim to large parts of Liberian territory. In 1892 Liberia by a forced treaty was compelled to relinquish.

⁶³ For previous correspondence concerning the boundary dispute, see *Foreign Relations*, 1922, vol. II, pp. 634 ff.

⁶⁴ Not printed.

Difficulties again arose in 1895 resulting in a treaty in 1908 which again took a large portion of Liberian territory because Liberia was unable to sustain what she considered her just claim.

As stated in the enclosed protest, the French Government although having had all the advantage of the former decisions, claimed the agreement of 1908 defective. The Liberian Government objected to the reopening of the question but was compelled under French threat of forcible annexation to acquiesce.

The formula for rectification was set forth in an act of 1911 and carried out in 1915 when certain questions arose with regard to a town called Zinta which the French demanded should [not?] be included in Liberian territory upon the claim that the 11° 50' meridian West of Paris was inaccurate though the result of the findings of their own Commission.

Since 1915 strenuous efforts have been made to have a final settlement which have been only delayed by the French Government.

In view of the long standing and continued irritation between the two countries involved, and that it has each year become more acute until now it reaches a threatening situation, it would therefore seem if there could be an intervention by a friendly power to settle the difficulty it would be eminently desirable. In this case the Liberian Government has naturally turned to the United States.

Relying upon the traditional relationship and oft avowed friendly interest of the American Government, especially now in the light of present development, Liberia has presented this protest with the hope that the United States may find some way to adjust this matter.

It is believed that an indication from the United States to France that the American Government would look with disfavor upon any further aggression by the French Republic and discountenance anything that provoked trouble on the Franco-Liberian boundary would once for all put an end to a long standing difficulty and settle a question of territorial sovereignty.

In this connection it is also believed if the United States, if consistent with our policy, could be accepted by both parties as an arbiter and use its good offices the matter could be decided without further delay.

I have [etc.]

SOLOMON PORTER HOOD

751.8215/209

The Secretary of State to the Minister in Liberia (Hood)

No. 257

WASHINGTON, *October 13, 1925.*

SIR: The Department has received your despatch No. 285, of July 2, 1925, transmitting a note addressed to you by the Liberian Secre-

tary of State, dated June 29, 1925,⁶⁵ protesting against certain alleged aggressive acts of the French Republic upon the peace and territory of Liberia and requesting that the good offices of the United States be exercised in procuring a peaceful adjustment of the situation.

The Department has read the note of the Liberian Secretary of State and your covering despatch with great interest and believes that the present instance is one in which the good offices of this Government could be appropriately employed to effect a peaceful and equitable settlement of the boundary question.

You are therefore instructed to hand to the Liberian Secretary of State the following note:

"I have the honor to inform you that my Government has received my despatch of July 2, 1925, transmitting your note of June 29, 1925, concerning the reported aggressions of the French West African authorities upon Liberian territory, particularly in the region of Zinta (Zigida), and requesting that the good offices of the Government of the United States be employed in securing a peaceful settlement of the situation.

"I am instructed by my Government to state that your note has received its careful and sympathetic consideration, that my Government feels that the matter is one which is capable of a peaceful and amicable solution, and that it would be inclined to exercise its good offices in the effecting of such a settlement.

"Without wishing to discuss the questions involved in any detail, my Government would observe that it would appear that the principal cause of the troubles connected with the Franco-Liberian border is the failure of the Liberian and French Governments to continue and complete the work of delimiting the boundaries defined by the Franco-Liberian Treaty of September 18, 1907 and the Franco-Liberian Agreement of January 13, 1911. My Government is cognizant of the difficulties which have been encountered in this connection and of the delays which have arisen, but it is of the opinion that a fresh effort should be made at this time to resume the work of joint delimitation.

"You will recall that in a note dated January 27, 1921 the Secretary of State of Liberia informed my predecessor, Mr. Johnson,⁶⁵ that the French Government had declined to proceed with the program of delimitation suggested in 1919 and 1920 on the ground that it was unnecessary and useless to determine any of the outstanding questions between the two governments until the purport of American plans in Liberia had been made manifest. The Secretary of State added that the Liberian Government was addressing a protest against this position of the French Government direct to Paris and that he would be grateful for American support in securing a settlement of the delimitation question.

⁶⁵ Note not printed.

"The American Ambassador in Paris was subsequently instructed⁶⁷ to approach the French Minister of Foreign Affairs and to impress upon him that the Government of the United States, in the interest of a final adjustment of the boundary question, would be glad to learn of the willingness of the French Government to resume and complete the demarkation at an early date. The Ambassador reported the result of his representations in a despatch to the Department of State, dated January 5, 1922,⁶⁸ and, on the basis of this despatch, the American Minister at Monrovia was instructed by telegraph, January 31, 1922,⁶⁹ to suggest to the Liberian Government that the French Government be urged through the French representative at Monrovia to appoint and send a French Boundary Commissioner immediately to join the Liberian Boundary Commissioner to complete the work of delimitation.

"At that time my Government had reason for believing that such a course would produce the desired result. However, the Liberian Government decided not to act upon this suggestion at that time and in a note, dated March 31, 1922,⁷⁰ informed the American Minister that the Liberian Department of State had been advised by the Boundary Commissioner that the best interest of the Republic would not be served by urging the immediate resumption of the delimitation; the Triangulation Control which the Boundary Commissioner had been engaged in establishing had only been completed for about one-half of the length of the Franco-Liberian Frontier; that unless the whole triangulation was put in before the delimitation was resumed the Commissioner would be obliged to depend upon the French data and maps which were not considered wholly reliable; the Department had therefore not yet approached the French Government on this matter; and that if and when any action was taken the Legation would be promptly advised.

"It does not appear from the information at the disposal of my Government that any further action has been taken by the Liberian Government since that date toward the renewal of negotiations with the French.

"Believing that future troubles can be avoided only through a definitive demarkation of the Franco-Liberian boundary, my Government directs me to suggest that the Liberian Government at this time approach the French Government through the Liberian Legation at Paris with the request that the French Government appoint and send a Boundary Commissioner to Liberia at the earliest possible date to complete the work of delimiting the boundary as defined by existing treaties and agreements.

"The American Ambassador in Paris has been informed of the existing situation and will be instructed to support the representations of the Liberian Minister in Paris as soon as my Government has received word that the Liberian representations are in fact being made.

"With regard to the reported border troubles and the occupation of disputed territory by French forces, it is suggested that the Liberian Minister in Paris be instructed to make representations to the

⁶⁷ December 3, 1921; see *Foreign Relations*, 1922, vol. II, p. 634.

⁶⁸ *Ibid.*, p. 635.

⁶⁹ *Ibid.*, p. 636.

⁷⁰ *Ibid.*, p. 637.

French Government with a view to preventing recurrences of the former and to securing a reasonable *modus vivendi* with respect to the latter pending the definite establishing of the boundary.

“In connection with these questions, the American Ambassador at Paris will likewise be instructed to employ his good offices.

“Concerning the specific question of the French occupation of Zinta (Zigida), it is felt that a request for its evacuation by the French authorities during the period required for the completion of the demarkation of the boundary would not be unreasonable owing to the long continued occupation and administration of Zinta (Zigida) by the Liberian authorities. Nevertheless, in view of the greater importance of an early delimitation of the boundary, it is not believed that insistence on this point ought to be allowed to imperil the resumption of negotiations between the Liberian and French governments provided that the French Government evinces a desire to proceed immediately with the delimitation.

“If the Liberian Government should see fit to act upon the foregoing suggestions, I should be grateful to be informed of the action which it proposes to take in order that my Government may be advised accordingly.”

With reference to the last paragraph of this note, you should notify the Department by telegraph of any action taken by the Liberian Government in order that appropriate instructions may be sent to the American Ambassador in Paris.

A copy of this instruction has been sent to the American Ambassador in Paris for his information.

I am [etc.]

FRANK B. KELLOGG

LITHUANIA

AGREEMENT BETWEEN THE UNITED STATES AND LITHUANIA ACCORDING MUTUAL UNCONDITIONAL MOST-FAVORED-NATION TREATMENT IN CUSTOMS MATTERS, SIGNED DECEMBER 23, 1925

611.60 m 31/13a

*The Secretary of State to the Lithuanian Minister (Bizauskas)*¹

WASHINGTON, *December 23, 1925.*

SIR: I have the honor to make the following statement of my understanding of the agreement reached through recent conversations held at Washington on behalf of the Government of the United States and the Government of Lithuania with reference to the treatment which the United States shall accord to the commerce of Lithuania and which Lithuania shall accord to the commerce of the United States.

These conversations have disclosed a mutual understanding between the two Governments which is that, in respect of import and export duties and other duties and charges affecting commerce, as well as in respect of transit, warehousing and other facilities, and the treatment of commercial travelers' samples, the United States will accord to Lithuania, and Lithuania will accord to the United States, its territories and possessions, unconditional most-favored-nation treatment; and that in the matter of licensing or prohibitions of imports and exports, each country, so far as it at any time maintains such a system, will accord to the commerce of the other treatment as favorable, with respect to commodities, valuations and quantities, as may be accorded to the commerce of any other country.

It is understood that

No higher or other duties shall be imposed on the importation into or disposition in the United States, its territories or possessions, of any articles the produce or manufacture of Lithuania than are or shall be payable on like articles the produce or manufacture of any foreign country;

¹The draft for an exchange of notes regarding reciprocal unconditional most-favored-nation treatment was submitted to the Lithuanian Legation on Apr. 17, 1925, and was accepted, as here printed, by the Lithuanian Government, after minor changes.

No higher or other duties shall be imposed on the importation into or disposition in Lithuania of any articles the produce or manufacture of the United States, its territories or possessions, than are or shall be payable on like articles the produce or manufacture of any foreign country;

Similarly, no higher or other duties shall be imposed in the United States, its territories or possessions, or in Lithuania, on the exportation of any articles to the other or to any territory or possession of the other, than are payable on the exportation of like articles to any foreign country;

Every concession with respect to any duty, charge or regulation affecting commerce now accorded or that may hereafter be accorded by the United States or by Lithuania, by law, proclamation, decree or commercial treaty or agreement, to the products of any third country will become immediately applicable without request and without compensation to the commerce of Lithuania and of the United States and its territories and possessions, respectively;

Provided that this understanding does not relate to

(1) The treatment which the United States accords or may hereafter accord to the commerce of Cuba or any of the territories or possessions of the United States or the Panama Canal Zone, or to the treatment which is or may hereafter be accorded to the commerce of the United States with any of its territories or possessions or to the commerce of its territories or possessions with one another.

(2) The treatment which Lithuania accords or may hereafter accord to the commerce of Finland, Esthonia, Latvia and/or Russia, so long as such special treatment is not accorded to any other State.

(3) Prohibitions or restrictions of a sanitary character or designed to protect human, animal or plant life or regulations for the enforcement of police or revenue laws.

The present arrangement shall become operative on the day when the ratification thereof by the Lithuanian Seimas shall be notified to the Government of the United States, and, unless sooner terminated by mutual agreement, shall continue in force until thirty days after notice of its termination shall have been given by either party; but should either party be prevented by future action of its legislature from carrying out the terms of this arrangement, the obligations thereof shall thereupon lapse.

I shall be glad to have your confirmation of the accord thus reached.

Accept [etc.]

FRANK B. KELLOGG

611.60 m 31/11

The Lithuanian Minister (Bizauskas) to the Secretary of State

SIR: I have the honor to make the following statement of my understanding of the agreement reached through recent conversations

held at Washington on behalf of the Government of Lithuania and the Government of the United States with reference to the treatment which the United States shall accord to the commerce of Lithuania and which Lithuania shall accord to the commerce of the United States.

These conversations have disclosed a mutual understanding between the two Governments which is that in respect of import and export duties and other duties and charges affecting commerce, as well as in respect of transit, warehousing and other facilities, and the treatment of commercial travelers' samples, the United States will accord to Lithuania, and Lithuania will accord to the United States, its territories and possessions, unconditional most-favored-nation treatment; and that in the matter of licensing or prohibitions of imports and exports, each country, so far as it at any time maintains such a system, will accord to the commerce of the other treatment as favorable, with respect to commodities, valuations and quantities, as may be accorded to the commerce of any other country.

It is understood that

No higher or other duties shall be imposed on the importation into or disposition in the United States, its territories or possessions, of any articles the produce or manufacture of Lithuania than are or shall be payable on like articles the produce or manufacture of any foreign country;

No higher or other duties shall be imposed on the importation into or disposition in Lithuania of any articles the produce or manufacture of the United States, its territories or possessions, than are or shall be payable on like articles the produce or manufacture of any foreign country;

Similarly, no higher or other duties shall be imposed in the United States, its territories or possessions, or in Lithuania, on the exportation of any articles to the other or to any territory or possession of the other, than are payable on the exportation of like articles to any foreign country;

Every concession with respect to any duty, charge or regulation affecting commerce now accorded or that may hereafter be accorded by the United States or by Lithuania, by law, proclamation, decree or commercial treaty or agreement, to the products of any third country will become immediately applicable without request and without compensation to the commerce of Lithuania and of the United States and its territories and possessions, respectively;

Provided that this understanding does not relate to

(1) The treatment which the United States accords or may hereafter accord to the commerce of Cuba or any of the territories or possessions of the United States or the Panama Canal Zone, or to the

treatment which is or may hereafter be accorded to the commerce of the United States with any of its territories or possessions or to the commerce of its territories or possessions with one another.

(2) The treatment which Lithuania accords or may hereafter accord to the commerce of Finland, Esthonia, Latvia and/or Russia, so long as such special treatment is not accorded to any other State.

(3) Prohibitions or restrictions of a sanitary character or designed to protect human, animal or plant life or regulations for the enforcement of police or revenue laws.

The present arrangement shall become operative on the day when the ratification thereof by the Lithuanian Seimas shall be notified to the Government of the United States, and, unless sooner terminated by mutual agreement, shall continue in force until thirty days after notice of its termination shall have been given by either party; but should either party be prevented by future action of its legislature from carrying out the terms of this arrangement, the obligations thereof shall thereupon lapse.

I shall be glad to have your confirmation of the accord thus reached.

Accept [etc.]

K. BIZAUSKAS

WASHINGTON, *December 23, 1925.*

611.60 m 31/18

The Lithuanian Minister (Bizauskas) to the Secretary of State

No. 2334

WASHINGTON, *July 9, 1926.*

[Received July 10.]

SIR: I have the honor to inform you that the *modus vivendi* concluded between the Government of Lithuania and the Government of the United States by the exchange of notes on December 23, 1925, was ratified by the Lithuanian Seimas on March 24, 1926.

Accept [etc.]

K. BIZAUSKAS

MEXICO

CONVENTIONS BETWEEN THE UNITED STATES AND MEXICO, SIGNED DECEMBER 23, 1925: (1) CONVENTION TO PREVENT SMUGGLING; (2) SUPPLEMENTARY EXTRADITION CONVENTION

711.129/18

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

No. 89

WASHINGTON, *December 17, 1924.*

SIR: I enclose two copies of a statement which the Department gave to the press on June 6, 1924,¹ announcing the conclusion of a Convention between the United States and Canada to aid in suppressing smuggling operations along the boundary between the two countries and in the arrest and prosecution of persons violating the narcotic laws of either Government. This Convention, of which a copy is enclosed for your confidential information² has been approved by the Senate of the United States and is now awaiting ratification by Canada.

Responsive to frequent communications demonstrating widespread interest in the southwest in border conditions, this Department, in consultation with the Treasury Department, has been giving serious consideration to the problem of better enforcement of existing laws and of curtailing certain evils and vices now existent along the Mexican border. A short time ago, in response to an informal inquiry, advices were received from the Mexican Embassy at this capital to the effect that the Mexican Government was believed to be favorably disposed to negotiate with the United States a Convention similar to that with Canada and that the Mexican Government was then preparing a list of suggestions which the Embassy would bring to the Department's attention as soon as received. It does not appear, however, that such a list has thus far been received from the Embassy, but the Secretary of the Treasury has now suggested that an informal conference be arranged between officials of this Government and representatives of the United Mexican States to discuss illicit traffic in narcotics, intoxicating liquor, tobacco, et cetera, and to formulate a Convention along the lines of that negotiated with Canada.

As it appears that there is no extradition treaty with Mexico covering crimes and offences against the laws for the suppression of the

¹Not printed.

²*Foreign Relations, 1924, vol. I, p. 189.*

traffic in narcotics, it is suggested that it would be desirable to endeavor to negotiate an extradition convention with Mexico covering this subject. Such a convention has been negotiated with Canada and it is expected that it will be signed at an early date. A copy of this convention is also enclosed for your confidential information.³

Accordingly, the Department desires that you bring this matter to the attention of the Mexican Government with a view to arranging for an informal preliminary conference of officials of the two governments for the purpose of discussing the question of providing additional facilities for the suppression of such illicit traffic between persons residing in the two countries, and of drawing up draft conventions for submission to the respective Governments for their consideration. You will request to be acquainted with the views of the Mexican Government in this matter and telegraph a brief report to the Department as soon as you receive a reply.

I am [etc.]

CHARLES E. HUGHES

711.129/19 : Telegram

The Chargé in Mexico (Schoenfeld) to the Secretary of State

MEXICO, *January 30, 1925—3 p. m.*

[Received 9:17 p. m.]

36. Department's telegram 27 January 29, 4 p. m.⁴ In conversation with Ambassador Sheffield on December 27th last the Minister for Foreign Affairs expressed willingness of Mexican Government in principle to conclude a convention with the United States to suppress smuggling operations along the border and also to participate in an informal conference in order to formulate a convention regarding illicit traffic in narcotics etc. Accordingly, on December 29th the Ambassador sent a formal note to the Minister for Foreign Affairs confirming the oral understanding and enclosing copies of the Department's press statement of June 6, 1924, as well as of the pertinent articles of the conventions with Canada including those of the proposed extradition convention for the Minister's confidential information. The note called attention to the fact that the Department had not yet received Mexican Government's promised suggestions regarding improvement of conditions on the border and requested advice as to the Mexican Government's desires in connection with the holding of informal preliminary conference to discuss suppression of illicit traffic and to formulate draft conventions.

No formal reply to this note has yet been received and Under Secretary of Foreign Relations informs me today that the matter is still

³ Vol. 1, p. 542. The convention was signed Jan. 8, 1925.

⁴ Not printed.

in the hands of the Ministry of Finance which has been urged to expedite consideration. Mexican Government regards the question as of great importance and is anxious to proceed. I am promised there will be no unnecessary delay so far as Foreign Office is concerned.

SCHOENFELD

211.12/73a : Telegram

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

WASHINGTON, February 27, 1925—noon.

39. Your 36, January 30, 3 P. M. If an Extradition Convention covering narcotic cases could be signed promptly and approved during the brief special session of the Senate after March 4th, it would be beneficial. You will therefore please sound the Mexican Government but at the same time make it clear that the suggestion in regard to the Narcotic Convention is made merely because of the desirability of action on this one phase of the general subject in view of the lapse of time before the next session of the Senate, and that it is in no way suggested that the plan for the Conference proposed in my mail instruction Number 89 of December 17 last to discuss and establish bases for a Convention covering the general subjects of smuggling, liquor control, et cetera, be abandoned.

If the Mexican Government should agree that priority be given to an Extradition Treaty covering offenses against the Narcotic Laws of both countries, it is suggested that such a Convention be negotiated and signed here, the Treaty with Canada being used as a basis therefor.

HUGHES

211.12/74 : Telegram

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

MEXICO, February 28, 1925—1 p. m.

[Received 9:33 p. m.]

49. Department's telegram 39, February 27, noon. Secretary of Foreign Relations informed me this morning that he would immediately consult the appropriate authorities with regard to the possibility of authorizing the Mexican Ambassador at Washington to sign an extradition treaty covering offenses against the narcotic laws of both countries along the lines of our treaty with Canada and that he would inform me at the earliest possible moment of the Government's decision. Assuming that there was no fundamental objection to this action he was fearful that it would take 8 or 10 days in any case to prepare and to send to the Mexican Ambassador full powers unless it could be arranged to authorize the Ambassador by tele-

graph to sign the treaty and upon arrival of the full powers to consider them as having been delivered earlier.

I do not believe there will be any objection on the part of the Mexican Government to signing the treaty and hope to be able to report the Government's decision early next week.

I am also in receipt of a note dated February 24 in reply to my note of December 29 referred to in Embassy's telegram 36 of January 30, 3 p. m. to the effect that the Mexican Government is disposed to conclude a convention regarding contraband along the frontier and requesting me to supply the names of the American experts to meet the Mexicans at a preliminary conference. I infer from this note that, if we name our experts, Mexicans will follow suit without delay; and therefore request to be informed of their names for communication to the Mexican Government.

SHEFFIELD

711.129/23 : Telegram

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

WASHINGTON, *March 21, 1925—5 p. m.*

62. Your 49, February 28, 1 p. m., last paragraph. Please inform Mexican Government that the American Commission to represent this Government in proposed preliminary conference will be made up as follows: Treasury Department—Honorable McKenzie Moss, Assistant Secretary of the Treasury, Chairman of the Commission, accompanied by Mr. H. S. Creighton, Customs Agent in Charge at San Francisco, and Mr. L. G. Nutt, Chief, Narcotic Division, Treasury Department, experts; Department of State—Mr. William R. Vallance, Assistant Solicitor; Department of Justice—Honorable Harvey R. Gamble, now Assistant United States Attorney for the Western District of Texas.

The suggestion has also been made that the discussion should include the question of the smuggling of aliens across the frontier in contravention of the immigration laws of either country. The Department desires that you make this suggestion to the Mexican Government and report by telegraph should that Government concur, in order that the Department of Labor may be asked to nominate a representative.

KELLOGG

711.129/23 supp. : Telegram

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

WASHINGTON, *March 28, 1925—3 p. m.*

70. Department's 62, March 21, 5 p. m. Ascertain informally whether it would be agreeable to Mexico to hold conference to sup-

press smuggling operations at El Paso on April 20. Mexican delegates would be guests of the United States. If so, extend formal invitation on behalf of United States.

Telegraph names of representatives of Mexico as soon as possible and whether date and place meet with their convenience.

KELLOGG

711.129/25 : Telegram

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

MEXICO, March 31, 1925—4 p. m.

[Received 9:25 p. m.]

73. Department's telegram 70 March 28, 3 p. m. Secretary of Foreign Relations today informed me subject to official confirmation within a day or two that he believed it would be acceptable to the Mexican Government to hold conference regarding suppression of smuggling on the border at El Paso on April 20 next.⁵ He also expressed appreciation of our offer to consider Mexican representatives as guests of the United States. Accordingly I handed him a formal note in the sense of your telegram.

He said further that he thought there would be no objection on the part of the Mexican Government to naming a representative to discuss smuggling of aliens as suggested in my note of March 23 in pursuance of your telegram number 62, March 21, 5 p. m. This also is subject to early confirmation. I shall telegraph names of Mexican representatives and formal reply on the foregoing points as soon as received.

SHEFFIELD

711.129/34 : Telegram

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

MEXICO, April 18, 1925—1 p. m.

[Received 8:15 p. m.]

82. Department's [*Embassy's*] telegram 81.⁶ Today Under Secretary of Foreign Relations advises me that the Mexican delegation to the El Paso conference will be made up as follows: For the Department of Foreign Relations, Señor Fernandez MacGregor; for the Department of Gobernacion, Subsecretary Villa Michel; for the Department of Finance, the chief clerk, Señor Octavio Dubois, and the following additional gentlemen: Manuel Bartelet, Arturo

⁵ At the request of the Mexican Government the date was later set for May 15.

⁶ Not printed.

Bedeta, Luis C. Aragon, Ignacio Gonzalez; for the Department of Public Health, Señor Narciso Bassols.

A statement regarding the date and purposes of the conference with the names of the delegates will be supplied by the Mexican Government to the press on the evening of Monday, April 20, at which time unless there is objection it is suggested that the Department issue its statement.

SHEFFIELD

711.129/69 F. W.

The Chief of the Division of Mexican Affairs (Gunther) to the Assistant Solicitor (Vallance)

[WASHINGTON,] May 1, 1925.

DEAR MR. VALLANCE: Mr. de Negri, First Secretary of the Mexican Embassy, has just called on me and stated that his Ambassador was instructed by telegraph by the Mexican Foreign Office to procure from us the proposed agenda of the Conference on May 15, showing in full just what subjects will be touched upon. I told him that the Mexican Foreign Office had been informed through Mr. Sheffield of every new development in the matter of this Conference, but that I would endeavor to supply him with additional data.

Can you supply me with the information?

F[RANKLIN] M. G[UNTHER]

711.129/69

Memorandum by the Chief of the Division of Mexican Affairs (Gunther)

[WASHINGTON,] May 5, 1925.

The following information was communicated by telephone to Mr. de Negri on Tuesday morning, May 5, 1925, in response to his oral request of May 1:

(1) Measures to coordinate the work of American and Mexican officers along the border to prevent smuggling operations, including the following:

- (a) Narcotics.
- (b) Intoxicating liquors, for beverage use.
- (c) Tobacco.
- (d) Gold.
- (e) Aliens.
- (f) Arms and ammunition or explosives.
- (g) Other merchandise prohibited from importation or exportation or subject to duty.

(2) Measures bearing on better law enforcement along the international boundary not included in (1).

(3) Suppression of poaching,⁷ referred to in the Mexican Ambassador's informal note of April 17.⁸

(4) Extradition of persons charged with violating the narcotic laws of either country or with violating laws with regard to contraband.

(Above apparently was telephoned by Keith based on Mr. Vallance's Memo of May 2.⁹)

F[RANKLIN] M. G[UNTER]

Treaty Series No. 732

*Convention Between the United States of America and Mexico,
Signed at Washington, December 23, 1925*⁹

The Government of the United States of America and the Government of the United Mexican States being desirous of cooperating to prevent the smuggling into their respective territories of merchandise, narcotics, and other commodities the importation of which is prohibited by the laws of either country, and of aliens, as well as to promote human health and to protect animal and plant life and to conserve and develop the marine life resources off certain of their coasts, have resolved for these purposes to conclude a Convention, and to that end have named as their Plenipotentiaries:

The President of the United States of America,

Frank B. Kellogg, Secretary of State of the United States of America, and

The President of the United Mexican States,

Don Manuel C. Téllez, Ambassador Extraordinary and Plenipotentiary of Mexico at Washington.

Who, having communicated to each other their respective full powers, which were found to be in due and proper form, have agreed upon the following Articles:

SECTION I—*Smuggling*

ARTICLE I

The High Contracting Parties agree that all shipments of merchandise crossing the International Boundary line between the United States and Mexico, originating in and consigned from either of the

⁷ On May 9, at the request of the Mexican Embassy, the question of clandestine fishing in territorial waters was added to the agenda (file No. 711.128/13a).

⁸ Not printed.

⁹ In English and Spanish; Spanish text not printed. Ratification advised by the Senate, Mar. 3, 1926; ratified by the President, Mar. 11, 1926; ratified by Mexico, Jan. 29, 1926; ratifications exchanged at Washington, Mar. 18, 1926; proclaimed by the President, Mar. 18, 1926.

two countries, shall be covered by a shipper's export declaration, and a copy of same, verified by the appropriate officials of the country of origin, shall be furnished to the customs officials of the country of destination. It is agreed also that the appropriate officials of either country shall give such information as the appropriate officials of the other country may request concerning the transportation of cargos or the shipment of merchandise crossing the International Boundary line.

ARTICLE II

The High Contracting Parties agree that clearance of shipments of merchandise by water, air or land from any of the ports of either country to a port of entrance of the other country shall be denied if such shipment comprises articles the introduction of which is prohibited or restricted for whatever cause in the country to which such shipment is destined, provided, however, that such clearance shall not be denied on shipments of restricted merchandise when there has been complete compliance with the conditions of the laws of both countries.

It shall also be deemed to be the obligation of both of the High Contracting Parties to prevent by every possible means, in accordance with the laws of each particular country, the clearance of any vessel or other vehicle laden with merchandise destined to any port or place when there shall be reasonable cause to believe that such merchandise or any part thereof, whatever may be its ostensible destination, is intended to be illegally introduced into the territory of the other Party.

ARTICLE III

The High Contracting Parties reciprocally agree to exchange promptly all available information concerning the names and activities of all persons known or suspected to be engaged in violations of the laws of the United States or Mexico with respect to smuggling or the introduction of prohibited or restricted articles.

ARTICLE IV

The High Contracting Parties agree that no merchandise or property of any character shall be authorized to be cleared or despatched out of either country, across the International Boundary line, except through ports or places duly authorized to clear such merchandise or property, and to or through duly authorized ports or places on the opposite side of said Boundary line; provided, that merchandise or property may be transported across said boundary

line at any convenient place' under special circumstances and after permits by both countries have been issued therefor.

ARTICLE V

The High Contracting Parties agree that they will exchange all available information concerning the existence and extent of contagious and infectious diseases of persons, animals, birds or plants, and the ravages of insect pests and the measures being taken to prevent their spread. The parties will also exchange information relative to the study and use of the most effective scientific and administrative means for the suppression and eradication of such diseases and insect pests.

SECTION II—*Migration of Persons*

ARTICLE VI

Each of the High Contracting Parties agrees to employ all reasonable measures to prevent the departure of persons destined to territory of the other, except at or through regular ports or places of entry or departure established by the High Contracting Parties.

ARTICLE VII

In all cases in which a national of one of the High Contracting Parties is to be deported or expelled from the territory of the other, and in the cases in which a national of either country subject to deportation is allowed voluntarily to depart for the country of his nationality in lieu of deportation, due notice will be given the proper Consular representative of the country of such national.

ARTICLE VIII

In all cases in which either of the High Contracting Parties may suspend or waive its regulations relating to the contracting of laborers in the territory of the other, or in cases where either of the High Contracting Parties may grant special permits for contract labor, the country granting such permits or so suspending or waiving its regulations will give due notice thereof to the other.

ARTICLE IX

The High Contracting Parties mutually agree that they will exchange information regarding persons proceeding to the country of the other and regarding activities of any persons on either side of the border, when there is reasonable ground to believe that such persons are engaged in unlawful migration activities or in conspira-

cies against the other Government or its institutions, when not incompatible with the public interest.

SECTION III—*Fisheries*

PREAMBLE

For the three following purposes, namely:

(1) To facilitate the labors of the corresponding authorities in conserving and developing the marine life resources in the ocean waters off certain coasts of each nation;

(2) To prevent smuggling in all kinds of marine products;

(3) And to consider and to make recommendations with respect to the collection of the revenue from fish and other marine products.

The Government of the United States of America and Government of the United Mexican States agree as follows:

ARTICLE X

The High Contracting Parties agree that the waters dealt with under this Convention shall be the waters off the Pacific Coasts of California, United States of America, and Lower California, Mexico, including both territorial and extra-territorial waters, the latter being the westward extension of the former.

ARTICLE XI

The High Contracting Parties agree to establish within two months after the exchange of ratifications of this Convention a Commission, to be known as the International Fisheries Commission—United States and Mexico, that shall consist of four members, two to be appointed by each Party. This Commission shall continue to exist so long as this Convention shall remain in force. Each Party shall pay the salaries and expenses of its own members and the joint expenses incurred by the Commission shall be paid by the two High Contracting Parties in equal moieties.

The Commission is hereby empowered to organize, to appoint its staff, and to fulfill the requirements of this section.

The Commission shall make a thorough study of whatever subjects are necessary for carrying out the purposes of this Section and shall submit recommendations unanimously approved by the Commission to each Government for consideration and approval covering whatever the Commission deems necessary for the accomplishment of the purposes of this section. This study shall be undertaken within two months after appointment of the Commission and the recommendations shall be submitted as soon as practicable.

ARTICLE XII

The High Contracting Parties agree that if, after its study of conditions, the International Fisheries Commission recommends the adoption of regulations regarding the subjects set forth in the preamble and such regulations are approved by each Government, they shall become binding upon the authorities of both countries and shall be enforced by them.

The High Contracting Parties agree that the authorities of their respective ports shall refuse to permit any and all fish or marine products to enter the ports if brought into port from the waters specified in Article X and if the port authorities have reasonable grounds to believe that the master has obtained his cargo in violation of the laws of either of the High Contracting Parties, the regulations which may be adopted, or the provisions of this Convention. Fines may be imposed in such cases or such cargoes thus illegally obtained may be declared forfeited and sold at auction to the highest bidder. Any proceeds therefrom shall be regarded as belonging to the High Contracting Parties in equal moieties and to the extent that may be determined by the High Contracting Parties to be necessary shall be made available for use in payment of the salaries and expenses of the Commission as provided for in Article XI of this Convention.

The International Fisheries Commission will inform and will keep informed all port authorities of both nations concerning any and all regulations which may have been established.

SECTION IV—*General Provisions*

ARTICLE XIII

It is agreed that when compatible with the public interest the officers and employees of the respective Governments of the United States and Mexico shall, upon request, be directed to furnish such available records and files, or certified copies thereof, as may be considered essential to the trial of civil or criminal cases. The costs of transcripts of records, depositions, certificates and letters rogatory in civil or criminal cases shall be paid by the nation requesting them. Letters rogatory and commissions shall be executed with all possible despatch and copies of official records or documents shall be certified promptly by the appropriate officials in accordance with the provisions of the laws of the respective countries.

This Article shall apply only to cases involving matters covered by this treaty.

ARTICLE XIV

The High Contracting Parties agree to enact and enforce such legislation as may be necessary to make effective the provisions of this Convention with appropriate penalties for the violation thereof.

ARTICLE XV

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 effect at the expiration of ten days from the date of its publication in conformity with the laws of the High Contracting Parties, and it shall remain in force for one year. If upon the expiration of one year after the Convention shall have been in force no notice is given by either party of a desire to terminate the same, it shall continue in force until thirty days after either party shall have given notice to the other of a desire to terminate the Convention.

In witness whereof the respective plenipotentiaries have signed the present Convention both in the English and Spanish languages, and have thereunto affixed their seals.

Done in duplicate at the City of Washington this twenty-third day of December, one thousand nine hundred and twenty-five.

[SEAL]

FRANK B. KELLOGG

[SEAL]

MANUEL C. TÉLLEZ

Treaty Series No. 741

*Supplementary Extradition Convention Between the United States of America and Mexico, Signed at Washington, December 23, 1925*¹¹

The United States of America and the United States of Mexico being desirous of enlarging the list of crimes on account of which extradition may be granted under the Conventions concluded between the two countries on February 22, 1899,¹² and June 25, 1902,¹³ with a view to the better administration of justice and the prevention of crime in their respective territories and jurisdictions, have

¹¹ In English and Spanish; Spanish text not printed. Ratification advised by the Senate, June 21, 1926; ratified by the President, June 28, 1926; ratified by Mexico, Jan. 29, 1926; ratifications exchanged at Washington, June 30, 1926; proclaimed by the President, July 1, 1926.

¹² Malloy, *Treaties*, vol. I, 1776-1909, p. 1184.

¹³ *Foreign Relations*, 1903, p. 672.

resolved to conclude a supplementary Convention for this purpose and have appointed as their plenipotentiaries, to wit:

The President of the United States of America:

Frank B. Kellogg, Secretary of State of the United States of America, and

The President of the United States of Mexico:

His Excellency Señor Don Manuel C. Téllez, Ambassador Extraordinary and Plenipotentiary of the United States of Mexico at Washington:

Who, after having exhibited to each other their respective full powers, which were found to be in due and proper form, have agreed to and concluded the following articles:

ARTICLE I

The High Contracting Parties agree that the following crimes are added to the list of crimes numbered 1 to 21 in the second Article of the Treaty of Extradition of the 22nd of February, 1899, and the crime designated in the Supplementary Extradition Treaty, concluded between the United States and Mexico on the 25th of June, 1902; that is to say:

22. Crimes and offenses against the laws for the suppression of the traffic in and use of narcotic drugs.

23. Crimes and offenses against the laws relating to the illicit manufacture of or traffic in substances injurious to health, or poisonous chemicals.

24. Smuggling. Defined to be the act of wilfully and knowingly violating the customs laws with intent to defraud the revenue by international traffic in merchandise subject to duty.

ARTICLE II

The present Convention shall be considered as an integral part of the said Extradition Treaty of the 22nd of February, 1899, and it is agreed that the crime of bribery added to said original Treaty by the Supplemental Extradition Convention of the 25th of June, 1902, shall be numbered twenty-one (21); that the paragraph or crime numbered 21 in Article II of the original Treaty and relating to "Attempts" shall now be numbered 25 and be applicable under appropriate circumstances to all the crimes and offenses now numbered 1 to 24 inclusive.

ARTICLE III

The present Convention shall be ratified and the ratifications shall be exchanged either at Washington or at Mexico City as soon as possible.

It shall go into force ten days after its publication in conformity with the laws of the High Contracting Parties, and it shall continue and terminate in the same manner as the said Convention of February 22, 1899.

In testimony whereof the respective plenipotentiaries have signed the present Convention in duplicate, and have hereunto affixed their seals.

Done in duplicate at the City of Washington, in the English and Spanish languages, this twenty-third day of December, one thousand nine hundred and twenty-five.

FRANK B. KELLOGG [SEAL]

MANUEL C. TÉLLEZ [SEAL]

PUBLIC STATEMENT BY THE SECRETARY OF STATE THAT THE UNITED STATES COULD NOT ACQUIESCE IN CONTINUED VIOLATIONS OF THE RIGHTS OF AMERICANS IN MEXICO

711.12/546a : Telegram

The Secretary of State to the Chargé in Mexico (Schoenfeld)

WASHINGTON, June 12, 1925—2 p. m.

132. The Secretary desires you to know that he has made the following textual statement to the press:

"I have discussed Mexican affairs with Ambassador Sheffield at great length.¹⁴ He has gone over the entire situation. It will be remembered that we entered into two Claims Conventions with Mexico¹⁵ under which Joint Claims Commissions were appointed to adjust claims of American citizens for properties illegally taken by Mexico and for injuries to American citizens of their rights. These Commissions are now sitting and will, in due time, adjudicate these claims. Conditions have improved and our Ambassador has succeeded in protecting American, as well as foreign, interests. Our relations with the Government are friendly but, nevertheless, conditions are not entirely satisfactory and we are looking to and expect the Mexican Government to restore properties illegally taken and to indemnify American citizens.

A great deal of property of Americans has been taken under or in violation of the Agrarian Laws for which no compensation has been made, and other properties practically ruined and, in one instance, taken by the Mexican Government on account of unreasonable demands of labor. Mr. Sheffield will have the full support of this government and we will insist that adequate protection under the recognized rules of international law be afforded American citizens. We believe it is the desire of the Mexican Government to carry out the Conventions and to indemnify American citizens for property taken. So long as we are satisfied that this is the policy of the

¹⁴ The Ambassador was temporarily in the United States.

¹⁵ *Foreign Relations*, 1923, vol. II, pp. 555 and 560.

Mexican Government and this course of action is being carried out with a determination to meet its international obligations, that Government will have the support of the United States. I cannot go into the details of the many cases which Mr. Sheffield has taken up with the Mexican Government but they will be worked out as rapidly as possible.

I have seen the statements published in the press that another revolutionary movement may be impending in Mexico. I very much hope this is not true. This Government's attitude toward Mexico and toward threatened revolutionary movements was clearly set forth in 1923 when there was such a movement threatening the constituted Government of that country,¹⁶ which had entered into solemn engagements with this Government and was making an effort to meet those obligations at home and abroad. The attitude taken by this Government at that time has since been maintained and it is now the policy of this Government to use its influence and lend its support in behalf of stability and orderly constitutional procedure, but it should be made clear that this Government will continue to support the Government in Mexico only so long as it protects American lives and American rights and complies with its international engagements and obligations. The Government of Mexico is now on trial before the world. We have the greatest interest in the stability, prosperity and independence of Mexico. We have been patient and realize, of course, that it takes time to bring about a stable government but we cannot countenance violation of her obligations and failure to protect American citizens."

The above is telegraphed to you for your information and guidance and for informal communication to the Mexican Foreign Office.

KELLOGG

*Statement Issued to the Press by President Calles on June 14, 1925*¹⁷

Declarations of the State Department have been published in which Mr. Kellogg, answering some questions relating to the visit of Ambassador Sheffield to said department, affirms that some properties of American citizens have been illegally taken in Mexico for which no compensation has been made and in one instance taken by the Mexican Government on account of unreasonable demands of labor. At the same time he refers to the Joint Claims Commissions stating that he is convinced that the Mexican Government wishes to comply with the conventions and indemnify for the properties taken from American citizens; that he has seen the statements published in the press that another revolutionary movement may be impending in Mexico and that the Department of State very much hopes this is not true, the attitude of said department being to use its influence

¹⁶ See *Foreign Relations*, 1923, vol. II, pp. 567 ff.; also *ibid.*, 1924, vol. II, pp. 428 ff.

¹⁷ Reprinted from the *New York Times* of June 15, 1925.

and lend its support in behalf of stability and orderly constitutional procedure in Mexico, but it makes clear that the American Government will continue to support the Government in Mexico only so long as it protects American lives and American rights and complies with its internal engagements and obligations. He adds that the Government of Mexico is now on trial before the world.

It is a duty for my Government to rectify said statements as required by truth and justice. The best proof that Mexico is willing to comply with her international obligations and to protect the life and interests of foreigners lies in the fact that although, according to international law, she was not bound to do it, she invited all the nations whose citizens or subjects might have suffered damages through acts executed during the political upheavals that have taken place in the country with a view to conclude with them a convention to establish joint commissions that might consider said damages in order to grant due indemnizations. Besides that another convention was entered into with the United States to adjust claims of citizens of both countries against the other and in said convention are included all cases in which properties or rights might have been affected in disagreement with the Mexican laws. Therefore, so long as the aforesaid commissions do not adjust the cases submitted to their decision, it is irrelevant to charge Mexico with failure to protect American interests and violation of her international obligations.

The application of the Agrarian laws cannot be a subject of complaint because Mexico has issued them in the exercise of her sovereignty, and apart from that the State Department, in behalf of the American citizens, has accepted the form of indemnization prescribed by Mexican laws.

It is to be regretted the contradiction found in Mr. Kellogg's statement, when he declared that the United States have the greatest interest in the maintenance of order in Mexico and in the stability of her Government and at the same time stated that he had seen news of revolutionary movements since this last affirmation, tends to cast some alarm in the world in regard to the conditions of my country. And finally the statement that the Government of the United States will continue to support the Government of Mexico only so long as it protects American interests and lives and complies with its international engagements and obligations embodies a threat to the sovereignty of Mexico that she cannot overlook and rejects with all energy because she does not accord to any foreign country the right to intervene in any form in her domestic affairs nor is she disposed to subordinate her international relations to the exigencies of another country.

The statement under reference affirms also that the American Ambassador has succeeded in protecting American as well as foreign interests, and if he has thus succeeded he has no right to charge Mexico with failure to protect said interests, and attention should be called to the fact that said Ambassador does not represent any other foreigners but his own fellow citizens, and Mexico could not admit that without her previous authorization the American Ambassador should act in behalf of persons or interests alien to those of his country.

If the Government of Mexico, as affirmed, is now on trial before the world, such is the case with the Government of the United States as well as those of other countries. But if it is to be understood that Mexico is on trial in the guise of a dependant, my Government absolutely rejects with energy such imputation, which in essence would only mean an insult.

To conclude, I declare that my Government, conscious of the obligations imposed by international law, is determined to comply with them, and therefore to extend due protection to the lives and interests of foreigners; that it only accepts and hopes to receive the help and support of all the other countries based on a sincere and loyal cooperation and according to the invariable practice of international friendship, but in no way it shall admit that a Government of any nation may pretend to create a privileged situation for its nationals in the country, nor shall it either accept any foreign interference contrary to the rights and sovereignty of Mexico.

711.12/548 : Telegram

The Secretary of State to the Chargé in Mexico (Schoenfeld)

[Paraphrase]

WASHINGTON, June 15, 1925—6 p. m.

133. The following is for your information and guidance: The Secretary's statement will be allowed to stand. The Department will make no supplementary comment for publication. It does not consider making a retort to the reply of President Calles.

When Ambassador Téllez called at the Department this morning it was pointed out to him that the Secretary's statement should tend to augment the position of President Calles. It was also stated that although President Calles' interpretation of the Secretary's statement and his retort were matters of surprise and regret to the Department, nevertheless, the Secretary would not recede from his position. Ambassador Téllez expressed his belief that the Secretary's statement need not be regarded as antagonistic to President Calles personally, and he said he would inform his Government in that sense.

The attention of the Ambassador was invited in a cursory way to the large number of vexatious and longstanding cases still awaiting satisfactory disposition, and to other features of the Mexican situation, and the impression was conveyed to him that the attitude of this Government towards his Government was no different from the one which we would assume toward any Government which might treat American interests with contumely. It was intended that the conversation should contain the implication that unless the Government of Mexico saw to it that a fair deal was given to Americans and American interests it could hardly expect continued encouragement by our Government and without a logical *quid pro quo* of satisfactory treatment it could not reasonably look for countenance and support.

The Department hopes that after the initial excitement has subsided and that after the rallying of dissenting groups around President Calles, in view of the fancied threat of foreign interference, has ceased, the point of the statement of June 12 will make an impression, and that the better and more conservative elements of the Government will endeavor to support President Calles in carrying out a program which was so auspiciously inaugurated but which unfortunately has been deviated from.

KELLOGG

REPRESENTATIONS BY THE UNITED STATES AGAINST MEXICAN
AGRARIAN AND PETROLEUM LEGISLATION

812.5200/1

The Chargé in Mexico (Schoenfeld) to the Secretary of State

No. 1178

MEXICO, *October 2, 1925.*

[Received October 9.]

SIR: Referring to recent correspondence¹⁸ regarding the announcement made by the President of the Republic in his message to Congress on September 1, last, of the forthcoming introduction of a bill regulating the ownership of property in this country by foreigners, I have the honor now to enclose a clipping from today's edition of the newspaper *Excelsior* containing the full text of the President's message to Congress under date of September 30, last, covering the proposed bill, together with a translation thereof.¹⁹

H. F. ARTHUR SCHOENFELD

¹⁸ Not printed.

¹⁹ Only the text of the bill which accompanied the President's message is printed *infra*.

[Enclosure—Translation ²⁰]

Proposed Alien Land Bill to Regulate Section 1 of Article 27 of the Mexican Constitution ²¹

ARTICLE 1. In order that a foreigner may form part of a Mexican corporation which has acquired, or may acquire, lands or rights to waters and their accessions in the territory of the Republic, outside the prohibited zone, as stipulated in the final part of section 1 of article 27 of the Constitution, he must comply with the provisions of section 1, to wit: To agree before the Department of Foreign Affairs to be considered a national in respect to the part of the property which is his share in the corporation, and not to invoke in respect to the same the protection of his Government under penalty, in case of breach, of forfeiture to the Nation of the properties which he has acquired, or may acquire, as a shareholder in the corporation of which he may form a part.

ARTICLE 2. This provision must be complied with by any foreigner who wishes to acquire shares or participation of any kind in a Mexican corporation which possesses, or may possess, real estate, rights to waters and their accessions within national territory.

ARTICLE 3. No foreigner may form part of a Mexican corporation which possesses, or may possess, real property, rights to waters and their accessions in a zone of 100 kilometers along the frontiers and 50 kilometers along the seacoast.

ARTICLE 4. Agreements and contracts entered into in violation of the provisions of the three articles just preceding, shall be null and void. No agreement for the alienation of property may be considered retroactively perfect until the renouncement stipulated in article 1 of this law shall have been made.

ARTICLE 5. Any corporation in which one or more foreigners may have, in any form, an interest greater than 50 percent of the total shares of the corporation, will not enjoy the privileges which the law grants to Mexican corporations.

ARTICLE 6. Those foreigners who may have acquired, in the prohibited zones, any kind of real property, rights to waters and their accessions, as shareholders in a Mexican corporation, before this law came into force, must divest themselves thereof within 3 years from the time this law came into force, unless they acquire Mexican nationality in accordance with the existing legal provisions. Foreigners holding any shares in corporations possessing real property, rights to waters and their accessions, outside of the prohibited zone, must make a declaration before the Department of Foreign Affairs

²⁰ File translation revised.

²¹ For text of the Mexican Constitution, see *Foreign Relations*, 1917, p. 951.

within 6 months after the date of the promulgation of this law, in regard to their participation in such corporation, with the understanding, that if they do not do so, the acquisition will be considered as made subsequent to the promulgation of this law.

ARTICLE 7. The Executive is empowered to regulate the provisions of this law.

ARTICLE 8. The present law shall take effect from the date of its promulgation.

812.5200/17 : Telegram

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

MEXICO, October 22, 1925—11 a. m.

[Received 8:47 p. m.]

205. Department's telegram 221, October 10.²² Newspapers today announce that Senate Committee in secret session yesterday favorably reported bill regulating section 1, article 27, of the Constitution approving it in principle. It is further stated that Chamber of Deputies will consider the bill next week. Under these circumstances I should regard it as opportune to enter protest immediately and therefore request Department to telegraph appropriate instructions.

SHEFFIELD

812.5200/34a : Telegram

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

WASHINGTON, October 29, 1925—7 p. m.

240. [Paraphrase.] Department has carefully considered the matter and is transmitting below the following conclusion for your personal guidance.

1st. It is not advisable to send formal note setting forth that law under consideration is clearly retroactive in respect to property acquired before the Mexican Constitution went into effect and therefore confiscatory. Article 27 is general in its terms, and the Supreme Court of Mexico in the case of the Texas Company²³ and other cases²⁴ has held that the article is not retroactive so far as it relates to persons holding petroleum lands who have, before the Constitution went into effect, performed some positive act showing an intention to exercise the petroleum rights. It is not clearly specified in the bill, and the language thereof does not necessarily imply, that it is the

²² Not printed.

²³ For text of decision, see *Foreign Relations*, 1921, vol. II, p. 464.

²⁴ In four *amparo* cases instituted by the International Petroleum Company and the Tamiahua Petroleum Company. See *Estados Unidos Mexicanos, Semanario Judicial de la Federacion* (México, Antigua Imprenta de Murguía, 1922), quinta época, tomo x, p. 1308.

intention of the bill to cover lands, rights and interests of stockholders acquired before the Constitution was promulgated. The full effect of the bill, if it becomes a law, would depend upon interpretations made by the courts and by the Mexican Government. If a law prohibiting foreigners from owning lands and being stockholders in Mexican corporations does not affect vested rights acquired before the Constitution was promulgated, then it relates to a purely domestic policy, and this Government has no suggestions to make thereon. American interests which have protested against the law have not conclusively proved that it would necessarily affect rights acquired before the Constitution was promulgated. According to the familiar principles of construction applied under the Constitution of the United States and practice, the courts must construe a statute, whenever possible, so as to preserve its constitutionality, and I incline to the view that the bill under consideration is capable of being construed in a way which would prevent it from affecting American interests vested before the Constitution came into force.

2d. If, under the Constitution of Mexico after it was promulgated, Mexican companies having American stockholders legally could acquire lands, waters, and the appurtenances thereto, or could secure concessions to develop mines, waters and mineral fuels, either within or without prohibited zones, according to our understanding of the practice, this law seemingly would deprive them of that right since by the first part of section 6, those aliens who may have acquired in prohibited zones any real property rights to waters and their accessions [*appurtenances?*] as shareholders in Mexican companies before the law came into force, must relinquish the same within 3 years, etc.

3d. Under these circumstances the Department deems it unwise to address a note on this subject to the Government of Mexico at present. It is our feeling that if the present Government intends to pass the bill, a note from this Government would not stop its passage. In fact, such action might hasten its passage and even render it difficult for the administration to amend the bill, were it so inclined.

4th. The Department believes that the proper course at the present time is for you to obtain an interview with the Foreign Minister and in a frank and friendly way point out to him those provisions in the bill which if applied retroactively would affect American vested interests both before and after the promulgation of the Mexican Constitution as set forth above. Possibly in the course of your conversation you can obtain a clearer idea of the scope of the bill. The United States-Mexican Commission reached an understanding regarding the effect of the Mexican Constitution on those vested rights,²⁵ and I hesitate to attribute to the Government of Mexico the

²⁵ See *Proceedings of the United States-Mexican Commission Convened in Mexico City, May 14, 1923* (Washington, Government Printing Office, 1925).

intent to enact confiscatory and retroactive laws contrary to that understanding. [End paraphrase.]

5th. Following are some of the pertinent questions which occur to us as proper for you to have in mind for the purposes of your interview:

I. With respect to land within the prohibited zone:

a. Does this mean that, without regard to the time when his interest was acquired, no foreigner may be interested hereafter or continue to be interested in a Mexican corporation owning lands or water rights or their appurtenances? (Article 3).

b. Does this mean that any foreigner holding such interest, regardless of when acquired, must dispose of it within three years or acquire Mexican nationality? (Article 6).

II. With regard to lands or water rights or their appurtenances outside the prohibited zone:

a. Does this signify that, without regard to the time when foreigners acquired their interests in a corporation, such interests in excess of 50 percent must be disposed of before the corporation may hold real estate? (Article 5).

b. Does this signify that, regardless of the time when he acquired such interest, a foreigner already interested in such corporation must renounce his national rights? (Articles 3 and 6).

III. Do the provisions of Article 4 signify that, regardless of when they were made, contracts transferring property to foreigners and by which they hold a present interest therein are to be held without force and effect unless such foreigners renounce their national rights with respect to such property?

IV. Are the provisions of Article 5 and the last half of Article 6 intended to relate as well to foreign corporations as to Mexican corporations?

V. Is the proposed legislation intended to apply to subsoil deposits?

KELLOGG

812.5200/40: Telegram

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

MEXICO, November 5, 1925—10 a. m.

[Received 8:35 p. m.]

223. Department's telegram 240 October 29, 7 p. m. I saw the Minister for Foreign Affairs yesterday afternoon and was received by him with entire courtesy and friendliness. I informed him that I had come for the purpose of requesting information regarding the purport of the bill sent to the Chamber of Deputies September 30 last regulating the first section of article 27 of the Federal Constitution and that I had not come to enter into any discussion of the matter. He said that the bill had been substantially modified since its introduction and intimated that for this reason discussion at this time might be inopportune. Having pointed out that the purpose

of my visit was merely to elucidate certain obscure points I proceeded to put to him the questions raised in section 2 of your telegram mentioned and received the following answers.

With regard to question I (*a*) and (*b*), the period within which foreigners may divest themselves of real property interests within the prohibited zone whether held directly or through a Mexican corporation will be extended probably to 10 years but such divestiture must be effected regardless of the time when the interest was acquired.

With regard to question II (*a*), interests of foreigners in corporations in excess of 50 percent acquired before the proposed law becomes effective will be respected. Question II (*b*), the declaration to be made regarding the interest held by foreigners in real property outside the prohibited zone will not be directed specifically to the renunciation of rights as an alien but will be designed to determine the character of alien ownership with a view to recording necessary information regarding alien holders of such interests.

With regard to question III, article 4 of the bill is not intended to have retroactive application.

With regard to question IV, article 5 of the bill has been modified in affirmative terms to the effect that foreigners may acquire not to exceed 50 percent ownership in companies for agricultural purposes and will not have retroactive effect. The declaration contemplated by the second half of article 6 will also be descriptive merely to obtain necessary records of ownership by aliens.

With regard to question V, the proposed law is merely designed to regulate section 1 of article 27 of the Constitution and does not affect the stipulations of section 4 of article 27, which latter has to do among other things with subsoil deposits.

The Minister explained that the general purpose of the proposed law is to obviate complications with foreign governments resulting from the application of agrarian laws to real property owned in fee by aliens or by corporations owned by aliens and that it has no bearing upon industrial mining and other nonagricultural corporations which latter will still be able to acquire, own and administer the lands necessary for their establishments and for the services necessary for carrying out their objects having in mind of course the concession principal so far as subsoil deposits themselves are concerned.

I understand in brief that the proposed law will not be in conflict with the provisions of section 4 of article 27.

[Paraphrase.] I agree with the Department that a formal note should not be presented at this time. I should add that during the past few days a substantial change of attitude in the Government

has been noted, and this fact has made it easier for me to secure the above information. [End paraphrase.]

SHEFFIELD

812.5200/44

The British Ambassador (Howard) to the Secretary of State

WASHINGTON, November 6, 1925.

MY DEAR MR. SECRETARY: With reference to my conversation with you on Tuesday last, in which you were kind enough to inform me of the instructions which had been addressed to the United States Ambassador in Mexico in the matter of the Mexican Draft Corporation Law, I write to say that I have now received a communication from His Majesty's Government, stating that they have instructed the British Representative in Mexico City to address verbal enquiries to the Mexican Government on similar lines to those which the United States Representative has been authorised to make. In approaching the Mexican Government, Mr. King has been told to avoid any reference to the possible attitude of His Majesty's Government in the event of the bill in question only being intended to apply to the future. Should his enquiries elicit the information that the Mexican Government intend to give retroactive force to this legislation, Mr. King has been instructed to direct their attention to the provision in Article 14 of the Constitution, according to which, "no law may be made retroactive to the prejudice of any person". His Majesty's Government have also pointed out to him that he should use every endeavour to secure the amendment or withdrawal of clauses in the bill relating to foreigners, which, if given retroactive force, would have such a prejudicial effect upon the position of British subjects holding investments in industrial concerns in Mexico. He has also been instructed to keep in close touch with his United States Colleague, and with the Representatives in Mexico City of the other Governments whose nationals are affected.

Believe me [etc.]

ESME HOWARD

812.5200/50 : Telegram

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

WASHINGTON, November 13, 1925—7 p. m.

254. Your 231, November 12, 11 A. M.²⁸ and previous. Further consideration of this matter leads to the belief that new detailed discussion of the proposed legislation affecting foreign property in Mexico is inopportune and perhaps useless, and that the situation

²⁸ Not printed.

must be dealt with along broad lines. You will therefore, unless you see good reason to the contrary, seek an immediate interview with the Minister for Foreign Relations, and read to him textually the following message from me, leaving with him, if you deem it desirable, an *Aide-Memoire* embodying the message:²⁷

“I am moved to make this personal appeal to you in the hope that the clouds which I perceive on the horizon of friendship between the United States and Mexico may be removed, and I beg of you please to understand that I am speaking to you solely on the basis of friendship and wish to avoid any criticism of prospective legislation of a neighboring friendly and sovereign State. It is in fact to avoid even a semblance of such an attitude that I am taking this step and may I ask that this appeal be taken up by you with the President of the Republic, for whom we have such high regard and esteem, and deep personal appreciation of his high qualities formed during his brief sojourn in the United States before entering into office.

As long ago as July, 1924, notes were exchanged by you and Ambassador Warren,²⁸ in which it was agreed to negotiate a new Treaty of Amity and Commerce between the two countries. The impediments to the negotiation of such a Treaty now no longer exist, and I venture to suggest to Your Excellency the opportuneness of beginning such negotiations now, in order that a firmer basis of mutual relationship which can only redound to the advantage of the two countries and their nationals be formed. Please understand that I venture to make this suggestion in the most friendly spirit possible. We are convinced that a Treaty can be negotiated which will be fair and satisfactory to both countries and of lasting benefit to Mexico.

I am not moved to make this suggestion because of the present proposed legislation in Mexico. It is, however, futile at such long distance to attempt to reach any understanding with you in regard to the effects of such legislation. Furthermore, nothing could be further from my intention than to seem to wish to interfere with the free course of legislation in your country. There are certain considerations, however, which must cause immediate concern. Americans with acquired rights will appeal to this Government, which is naturally bound to do its utmost on their behalf. The situation may become extremely confused and we must always bear in mind both the letter and spirit of the proceedings of the United States-Mexican Commission, convened in Mexico City on May 14, 1923. However, I do not wish to enter into any discussion of this matter, and I venture to hope that there will be no necessity thereof, as I am loath to believe that the Mexican Government intends to take any action in contravention of that understanding. The Mexican Government surely has in mind the economic aspects and consequences of such legislation. I do not desire to assume the role of uninvited adviser.

Let us take a broad view of this matter. My stand is that I dislike to discuss details of the proposed legislation, but I can not help but hope that nothing will be done which will tend to affect the good relations between the two countries which we have so much at heart,

²⁷ The *aide-mémoire* was presented on November 17.

²⁸ On July 18 and 21, 1924; not printed.

and make a continuation of the mutually constructive policy initiated during the presidency of President Obregon impossible.

I beg of you, therefore, Mr. Minister, to accept this appeal in the same friendly spirit from which it springs, and I await with interest and confidence the response of President Calles and yourself."

You may, if in subsequent discussion it appears timely, suggest orally to the Minister that we would be glad to take up the negotiation of a new Treaty of Amity and Commerce in Washington with anyone whom he may care to designate.

KELLOGG

812.5200/75 : Telegram

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

[Paraphrase]

MEXICO, November 20, 1925—7 p. m.

[Received November 21—4:38 a. m.]

245. According to the local press, Foreign Office reports that it has received nothing in the nature of a protest against the bill to regulate section 1 of article 27. Anxiety is expressed by several of my colleagues including those of France, Great Britain, and the Netherlands, as well as by interested American citizens, that action in the Senate to pass the bill may be precipitated because of a belief that the subject is one of prestige for the Government in respect of public opinion. I think the bill will probably be passed, without material changes, in the near future. I suggest, therefore, that the Department formulate its observations on the bill and send me instructions. Subject to the approval of the Department and in case the passage of the bill should appear imminent, I would use the Department's observations in making appropriate representations to the Government of Mexico if necessary before the receipt of reply of Foreign Office to your message of November 13, but otherwise would withhold them until such reply had been received. What I have in mind is to forestall possibility of Mexico claiming later that the United States never made any specific protest against the bill.

SHEFFIELD

812.5200/75 : Telegram

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

[Paraphrase]

WASHINGTON, November 25, 1925—3 p. m.

264. Embassy's No. 245 November 20, 7 p. m. Department is of the opinion that you should try to obtain a reply to Embassy's rep-

resentations and *aide-mémoire* of November 17.²⁹ Should your interview disclose the intention to pass the bill, you are instructed to make representations to the Government of Mexico based on the following *aide-mémoire* which you may leave with the Foreign Minister:³⁰

"Since my *aide-memoire* of November 17, I have been advised that the bill regulating fraction 1 of Article 27 of the Mexican Constitution has passed the Chamber of Deputies and a copy of the bill in the form in which it was passed has reached me. In these circumstances, I am moved to renew the sentiments expressed in the said *aide-mémoire* and at the same time to present some further considerations bearing more directly upon the pending legislation which was there only incidentally referred to for purposes of illustration.

I think I should not be acting in a truly friendly spirit if I were to refrain from advising you that this bill, proposed as it is by your Government and passed by the Chamber of Deputies is viewed with genuine apprehension by many if not all American holders of property rights in Mexico. And I should be less than sincere if I did not say to you at this time that in my judgment such apprehension is justified. Numerous appeals and protests have been, and are being, received by me. An examination of the bill in its present form enforces the conviction that in certain of its features the measure operates retroactively with respect to American property interests in Mexico and that its effect upon them would be plainly confiscatory. Rights which have become vested by virtue of the laws and Constitution of Mexico existing at the time of acquisition would be seriously impaired, if not utterly destroyed. Without here entering upon a detailed analysis, let me indicate some of the principal provisions and my understanding of their effect. The requirement that a foreign holder of corporate stock, without regard to when his holdings were acquired, shall consider himself a Mexican national as to such stock, and renounce the right to appeal to his own government or in the alternative forfeit his interests amounts to substantial confiscation. The requirement that stock in Mexican companies for agricultural purposes may not under any circumstances be held, regardless of when the stock was acquired, if such holding places in the hands of foreigners 50 per cent or more of the total interest of the company, is likewise retroactive and confiscatory. The requirement that all companies for agricultural purposes, more than 50 per cent of whose stock is in foreign hands, whether they hold lands directly or indirectly, shall divest themselves of such property within 10 years of the date of promulgation of the law is, by its terms, applicable to existing rights legally vested, and is, therefore, confiscatory of those rights. The subsequent provision permitting present individual owners to retain until their death such rights only mitigates and postpones but does not eliminate the confiscatory feature.

I desire particularly to direct attention to the provision requiring foreigners to waive their nationality and to agree not to invoke the protection of their respective governments, so far as their property rights are concerned, under penalty of forfeiture. In this connection

²⁹ See telegram No. 254, Nov. 13, to the Ambassador in Mexico, p. 527.

³⁰ *Aide-mémoire* not paraphrased; it was presented on November 27.

it is my duty to point out that my Government, in accordance with principles generally if not universally accepted, has always consistently declined to concede that such a waiver can annul the relation of a citizen to his own Government or that it can operate to extinguish the obligation of his government by diplomatic intervention to protect him in the event of a denial of justice within the recognized principles of international law.

You will, I am sure, understand that I am impelled to make the foregoing observations which are submitted in the most friendly spirit, because I feel that you are entitled to a frank expression of the views of my Government, and I should not like to leave any room for misunderstanding between us. As I stated in my *aide-mémoire* of the 17th instant, my Government wished to avoid if possible any criticism of prospective legislation of a neighboring and sovereign State, for it recognizes to the fullest extent the right of any other Government by legislation to regulate the ownership of property as a purely domestic question, unless such regulation operates to divest prior vested rights of American citizens legally acquired or held under the laws of such foreign government, and it is only because of the seeming imminence of the passage of such legislation and because it does so affect the vested rights of American citizens and is in contravention of the understanding arrived at between the two Governments through their Commissioners that I am moved to make these representations."

KELLOGG

812.6363/1590

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

No. 1415

MEXICO, November 27, 1925.

[Received December 3.]

SIR: Confirming my telegram No. 252 of today's date, twelve noon [11 a. m.],⁸¹ I have the honor to enclose herewith for the Department's information the text of a bill regulating the petroleum industry in Mexico, which was passed by the Chamber of Deputies yesterday, as published in today's *El Universal*.

I have [etc.]

JAMES R. SHEFFIELD

[Enclosure—Translation ⁸²]

Petroleum Bill Approved by the Chamber of Deputies, November 26, 1925

ARTICLE 1. The *dominium directum* of all natural mixtures of hydrocarbons which may be found in deposit, whatever their physical state may be, is vested in the Nation. Petroleum, under this law, is understood to include all natural mixtures of hydrocarbons.

⁸¹ Not printed.

⁸² File translation revised.

ARTICLE 2. The *dominium directum* of the Nation, referred to in the preceding article, is inalienable and imprescriptible, and no work required in the pursuit of the petroleum business may be carried out without the express authority of the Federal Executive granted by the terms of this law and its regulations.

ARTICLE 3. The petroleum industry is a public utility; therefore, it shall have preference over any development of the surface of the land, and in all cases where the necessities of the said industry require it, the development or occupation of the surface shall proceed, with due regard to the proper legal indemnity.

The petroleum industry includes the discovery, extraction, transportation by pipelines, and refining.

ARTICLE 4. Mexicans by birth or naturalization, as also foreigners and Mexican companies, meeting the requirements of the law regulating section 1 of article 27 of the General Constitution of the Republic and its regulations, may obtain petroleum concessions.

ARTICLE 5. Rights derived from concessions granted in conformity with this law, shall not be transferred in whole or in part to foreign governments or sovereigns, nor shall these be admitted as associates or partners, nor shall any rights of any kind therein be established in their favor.

ARTICLE 6. All matters pertaining to the petroleum industry are of exclusive Federal jurisdiction.

ARTICLE 7. Exploration concessions give the concessionaire the right to perform the work having to do with the discovery of oil. The Department of Industry, Commerce and Labor, shall grant the said concessions and see to it that the obligations stipulated therein, are complied with in conformity with the following provisions:

I. The concessionaire shall obtain from the owner of the surface of the land, within the first three months of the life of his concession, consent to occupy the lands he may need, and he shall sign with him special contracts in which the form of the indemnity shall be stipulated.

II. In case the owner of the surface of the land is opposed, the Secretary of Industry, Commerce and Labor may act as arbitrator, if the explorer and the owner of the land agree thereto. If not, the Federal Executive shall decide as to the occupation or expropriation of the land, in accordance with the needs of the petroleum industry, the concessionaire having previously furnished a bond guaranteeing the indemnity to which the owner of the surface of the land may be entitled for losses and damages.

III. The concessionaire shall render to the said Department a quarterly report of the progress of his work and the result of his exploration.

IV. Every two years the Department of Industry, Commerce and Labor shall call together a board to determine the bounds of the "explored zones" in the Republic. This board shall be composed of a representative of that Department, one from the Department of the Treasury and Public Credit, and another from the petroleum companies. Within two years subsequent to final decision regarding the "explored zones" the exploration concessions in the various locations shall be marked "new zones".

V. The holder of an exploration concession alone may obtain a working concession in the same zone, within the life of the first concession with three months added.

VI. The concessionaire shall furnish a bond, in proportion to the importance and area of the zone he desires to explore, at the office of the Treasury General of the Nation, within the first month of the life of his concession. The amount of that bond shall be fixed by the Department of Industry, Commerce and Labor.

VII. The life of the exploration concession shall be from one to five years, at the discretion of the Department of Industry, Commerce and Labor, and in accordance with the area and importance of the zone that is granted.

VIII. The holder of an exploration concession shall have the preference to obtain another in the same zone, provided he shall have complied with all the obligations imposed by this law; and

IX. Priority of application gives the right of preference, under equal circumstances, over other later applications.

X. Lands to be explored, owned by private parties, shall be secured by application to the Federal Executive, who may grant the concession, preferably, to the owner of the surface.

ARTICLE 8. Operation concessions entitle the concessionaires to extract and use the oil. The Department of Industry, Commerce and Labor shall grant the said concessions and see that the obligations therein stipulated are complied with in conformity with the following provisions:

I. The concessionaire shall arrange with the owner of the surface of the land regarding the indemnity to which the said owner may be entitled, in the manner set forth in the previous article, without any interruption in the operating work, when the concession shall have been granted by the Department of Industry, Commerce and Labor.

II. When the concessionaire and the surface owner fail to agree regarding the indemnity and compensation to which the owner would be entitled for losses he may have to bear on account of the exploitation of the oil, the Department of Industry, Commerce and Labor must intervene as arbitrator in accordance with the previous

section in connection with section 2 of article 7, and shall see to it that those indemnities and compensations be not less than those which have been on an average granted by the oil companies to the owners of the surface of the land in the last 10 years; but in no case shall such compensation be less than the equivalent of 5 percent of the production.

III. Within the operative zone the concessionaire shall have the right to establish all the installations that are required for the extraction, transportation, and storage of the oil.

IV. Outside of the granted zone, the holder of a working concession shall have the right to obtain concessions for the laying of pipe lines, construction of roads, and use of the Federal waters by complying with the provisions of the laws on the subject.

V. Working concessions in a "new zone" shall give the concessionaires during such time as shall be set by the board of representatives, referred to in section IV of the previous article, the right to obtain a rebate on the production tax which shall be fixed by the same board at the same time that it determines the bounds of the prospective zone.

VI. The operation of a granted zone cannot be interrupted except for just cause to be determined by the Department of Industry, Commerce and Labor.

VII. In the zone granted for exploration purposes, working concessions can be granted only to the holders of the first concession.

VIII. The Federal Executive shall regulate the operation of the wells so as to prevent their premature exhaustion; and

IX. The life of a concession shall not exceed 30 years. At the expiration of that term the concessionaire who shall have fulfilled all his obligations may obtain a new concession for the same zone.

ARTICLE 9. The Department of Industry, Commerce and Labor shall grant concessions to lay pipe lines for "public use" and "private use". Those for "public use" shall be used to transport oil belonging to any person soliciting transportation and those for "private use" shall be used for the transportation of the oil belonging to the concessionaire.

Concessions shall be subject to the following provisions:

I. Concessions for pipe lines for public use shall be granted to any person meeting the requirements stipulated in Article 4.

II. Concessions for pipe lines for public use give the right to import free of duty anything required for the laying of the pipe lines and for the occupation and expropriation, in conformity with the stipulations of section 2 of article 7.

III. Concessions for pipe lines for private use shall only be granted to the holder of an exploration, working or refining concession.

IV. Concessions for pipe lines for private use shall entitle the holder to obtain a right of way for these and for water pipe lines.

V. Pipe lines shall meet the conditions established by the operating regulations.

VI. The construction of pipe lines to carry petroleum directly to vessels on the open sea shall not be permitted.

VII. Operators of pipe lines must carry the oil belonging to the Federal Government to the extent of 20 percent of the pipe line's capacity.

VIII. The Department of Industry, Commerce and Labor shall issue periodically tariffs for the transportation of oil by pipe line after having granted a hearing to the interested parties.

ARTICLE 10. The Department of Industry, Commerce and Labor shall grant concessions for the establishment of refineries and plants for the use of gas, in accordance with the following provisions:

I. They shall be granted to parties meeting the requirements stipulated in article 4.

II. Concessionaires shall be subject to the health, safety and police regulations for the preservation of the life and health of the employees, workmen and residents; and

III. The plants which may hereafter be erected in the country for refining petroleum or using gas, shall enjoy free entry of everything necessary for their installation, and such other privileges as the Executive may grant in accordance with law.

ARTICLE 11. Oil concessions to land, the surface of which is owned by the Nation, shall be granted in the form prescribed by this law, and the concessionaire shall pay the proper indemnity for the use of the surface, in accordance with the regulations that may be issued for that purpose, in addition to the percentage which the Federal Treasury shall have of the gross production, as stated in the concession. It shall be stipulated in the concession that the public services are not to be interfered with.

ARTICLE 12. Concessions granted by the Executive of the Nation, in accordance with previous laws, shall be confirmed without any cost whatsoever, subject to the provisions of this law through the concessions that the said law authorizes.

ARTICLE 13. The following rules shall be observed with respect to claims filed in accordance with the provisions of the decrees of July 31, and August 8 and 12, 1918:³³

I. If title has not yet been issued, and no objection has been raised during the claim proceedings, the oil concession shall be granted in accordance with the provisions of this law; and

³³ *Foreign Relations*, 1918, pp. 752, 759, and 766.

II. If objection was raised, and title has not yet been issued, and the controversy is settled in accordance with the decrees of July 31, and August 8 and 12, 1918, the concession shall be granted, under the terms of this law, to the party obtaining it.

ARTICLE 14. Oil rights derived from previous laws shall be confirmed without charge, by concessions granted in accordance with this law, in the following manner:

I. To owners of the surface, or parties entitled thereto, who commenced their oil work before the first of May, 1917, and those who declared to the Federal Government before the said date, that they owned land intended for oil operations, for a term of 50 years, counting from the date when these rights were officially recognized.

II. To parties having contracts for the right to exploit the subsoil, or their assignees under contracts made before the first of May, 1917, who started their work for oil before said date, and those who declared before the said date to the Federal Government that they owned land intended for oil operations, but only for the time that may be lacking to complete the terms fixed in their respective contracts.

III. To owners of pipe lines and refineries who may at present be operating under a concession or license issued by the Department of Industry, Commerce and Labor in all that relates to the said concessions or licenses, but the said term shall never exceed 50 years.

ARTICLE 15. Confirmation of the rights shall be applied for within one year from the date when this law goes into effect, when that time shall have expired the said rights shall be deemed to have been renounced, and rights whose confirmation has not been applied for shall not have any effect whatever against the Federal Government.

ARTICLE 16. The Federal Executive may designate reserve zones in free lands.

ARTICLE 17. Causes for the forfeiture of an oil concession are:

I. Failure to perform the regular work in the manner prescribed by this law.

II. Violation of the provisions of article 5; and

III. Failure to furnish the bonds required under sections II and VI of article 7.

ARTICLE 18. Violation of this law and its regulations that do not involve forfeiture of the concession shall be punished by the Federal Executive by fines of from 100 to 5,000 pesos.

ARTICLE 19. All acts of the oil industry shall be deemed to be mercantile. Insofar as they are not provided for by this law they shall be governed by the Commercial Code and supplementarily by the provisions of the Civil Code of the Federal District.

ARTICLE 20. Taxes payable by the oil industry may be exacted by the Federal Government from the concessionaires, in cash or in kind, as may best suit the needs of the nation.

I. The taxes payable by the oil industry, in accordance with the laws on the subject, shall be paid by all corporations, companies, or private persons engaged in said industry regardless of the kind of rights they have over the deposits which they are working.

Therefore, for the purposes of this law, all explorers and exploiters of oil and its derivatives shall be on equal footing.

In the discretion of the Executive, taxes payable by the oil industry may be paid in kind or in cash in accordance with the value that may be quoted on the date when the payment is made.

II. The proceeds of the oil taxes, with the exception of the export duty, which is devoted to the payment of the foreign debt, shall be distributed as follows:

- 93 percent to the Federation;
- 5 percent to the State within which boundaries the property or properties are located;
- 2 percent to the municipality under whose jurisdiction the property lies.

The share due to the States and Municipalities shall be paid by the parties (*causantes*) directly to the State itself, in accordance with the monthly statement of the Department of Finance.

ARTICLE 21. The Federal Executive is empowered to make all the provisions necessary for the execution of this law.

TRANSITORY

ARTICLE 1. This law shall go into effect from the date of its promulgation.

ARTICLE 2. All prior regulations inconsistent with this law are repealed.

ARTICLE 3. Regulations in force shall continue until new regulations are issued under this law.

711.1211/236

The Mexican Ambassador (Téllez) to the Secretary of State

[Translation ³⁴]

WASHINGTON, *November 30, 1925.*

MR. SECRETARY: In compliance with a telegraphic instruction from my Government, I have the honor to place in Your Excellency's hands the enclosed memorandum containing the text of the reply which Señor Licenciado Sáenz, Minister for Foreign Affairs, made to the *aide-mémoire* which Your Excellency was pleased to deliver to him through His Excellency, Mr. James R. Sheffield, the Ameri-

³⁴ File translation revised.

can Ambassador in Mexico,³⁵ regarding a bill to regulate section 1 of article 27 of the Constitution, which is now under consideration in the Senate.

Accept [etc.]

MANUEL C. TÉLLEZ

[Enclosure—Memorandum—Translation ⁸⁶]

*The Mexican Minister for Foreign Affairs (Sáenz) to the Secretary of State*³⁷

I have transmitted to the President the personal appeal which you in a friendly manner were good enough to make to me in order legitimately to remove the clouds which you say you perceive upon the horizon of friendship between Mexico and the United States, without thereby implying in the slightest a criticism of the legislation which Mexico as a sovereign state is at present elaborating.

After asserting the foregoing you are pleased to propose the negotiation of a treaty of amity and commerce between the two nations, a treaty of which there has been talk since July 1924. You now judge that there are no longer any impediments to its conclusion, so that it may serve as a pledge for the establishment of the mutual relations of both countries upon a firm basis.

You again add that the proposal of the treaty has no connection with the pending legislation in Mexico. You say, however, that there are certain considerations that are now causing you concern, and you refer to the fact that American citizens who have acquired rights in this country will appeal to your Government which is naturally bound to do its utmost on their behalf. Therefore you believe that the situation may become extremely confused and intimate that the two Governments must always bear in mind the letter and spirit of the proceedings of the Mixed Commission which convened in Mexico City on May 14, 1923, the conclusions of which you do not believe that the Mexican Government wishes to contravene, and you call attention to the economic aspects and consequences of the new legislation.

You finally express the hope that nothing will be done which might affect the good relations between the two countries, and that the mutually constructive policy initiated during the Presidency of General Obregón will be continued.

The foregoing has been considered by President Calles, and he requests me to say to you as follows:

³⁵ See telegram No. 254, Nov. 13, to the Ambassador in Mexico, p. 527.

³⁶ File translation revised.

³⁷ A copy of this memorandum was delivered to Ambassador Sheffield on November 27 and telegraphed to the Department in telegram No. 254, Nov. 27, 5 p. m.; telegram not printed.

"In his opinion there is absolutely no cause for perceiving clouds upon the horizon of friendship between Mexico and the United States since the Mexican Government is disposed, as it has ever been, to fulfill all the obligations imposed upon it by international law, and since surely the United States will be under no necessity to contravene them. The Mexican Government, therefore, is disposed to negotiate with the United States a treaty of amity and commerce provided such treaty shall protect the legitimate interests of both countries and bear a character of strict and effective reciprocity and of recognition of and respect for the sovereignty of the two contracting parties. You manifest a decided intention of not wishing to interfere with the Mexican legislation which is being elaborated nor of criticising it; but as you repeatedly refer to it, I am constrained to understand that it is this legislation which causes you concern and which you believe may injure American interests and conflict with the friendly spirit of the conversations of Messrs. González Roa and Ross, on the one hand, and Messrs. Warren and Payne, on the other, in May 1923. Therefore I wish to make to you the following explanations:

"1. The conferences which took place on the above-mentioned date of May 1923, did not result in any formal agreement other than that of the claims conventions which were signed after the resumption of diplomatic relations. Those conferences were limited to an exchange of views intended to see if it was possible for the two countries to renew those diplomatic relations, and during the conferences President Obregón explained through his Commissioners his intention to follow a policy of understanding with the United States as well as with the other countries of the world—a policy which, in the main, consists of extending a friendly reception to foreigners and capital that would settle in Mexico and giving them the guarantees which are granted to them by our laws.

"2. The legislation pending in the Chambers which in any way refers to foreigners is based precisely on this policy. For example, the law which regulates section 1 of article 27, which has been approved by the Chamber of Deputies and which is pending in the Senate Chamber, has respected in their entirety acquired rights, as an unbiased examination can prove.

Furthermore, this legislation has been inspired with the object of eliminating the vagueness in this section, which was much more injurious to the very foreigners it concerned. It embodies only the practice towards foreigners that has been followed from 1917 to the present, without any protest being heard from them in years. I should regret if you were misinformed in this regard and, without any wish to assume the part of adviser, I take the liberty to call your attention to the very human fact that individuals and capital are generally opposed to any innovation, even though such innovation does not mean any invasion of their rights."

With the foregoing explanations I wish to say to you that the President and I are inspired by the best wishes to continue cultivating the good relations between Mexico and the United States, and I repeat again, that we should view with much pleasure the initiation

of negotiations for a treaty of amity and commerce between the two countries since the treaty could contain only fair stipulations which would not establish undue privileges for the respective citizens nor attempt to obstruct in any way the sovereign power to legislate to which both nations are entitled within the bounds of international law.

I believe that in this way I am showing you the friendly manner in which both President Calles and I have received your personal appeal, and I now renew the expression of my high consideration.

[MEXICO,] *November 26, 1925.*

812.5200/121

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

No. 1473

MEXICO, *December 8, 1925.*

[Received December 15.]

SIR: Confirming my telegram No. 269 of today's date, ten A. M.,³⁸ transmitting translation of the memorandum dated December 5, which I received last night from the Mexican Secretary of Foreign Relations, in reply to my *aide memoire* of November 27, last, on the subject of the bill regulating fraction 1 of article 27 of the Mexican Constitution, I have the honor herewith to enclose copy with translation of the said memorandum.

I have [etc.]

JAMES R. SHEFFIELD

[Enclosure—Translation³⁹]

The Mexican Minister for Foreign Affairs (Sáenz) to the Secretary of State

MEMORANDUM

I have given due attention to your memorandum of the 27th of November, last,⁴⁰ in which, referring to the previous one of November 17th,⁴¹ you state that the circumstance of the law regulating article 27 of the Mexican Constitution having been approved by the Chamber of Deputies, moves you to present some further considerations directly relating to the said pending legislation, and you add that you would consider that you were not acting in an entirely friendly spirit if you were to refrain from advising me that the law in question is viewed with apprehension by many American citizens holding property rights in Mexico. You were good enough to conclude that, in your

³⁸ Not printed.

³⁹ File translation revised.

⁴⁰ See telegram No. 264, Nov. 25, to the Ambassador in Mexico, p. 529.

⁴¹ See telegram No. 254, Nov. 13, to the Ambassador in Mexico, p. 527.

judgment, such an apprehension is justified because some features of the law regulating section 1 of article 27 operate retroactively and with manifestly confiscatory effect.

You then go on to analyze some of these features to which I propose to refer immediately in order to refute the criticism which you make of the law under project as being retroactive and confiscatory. But first I wish to make certain comments of a general nature.

In the first place, and even in a spirit of perfect friendship, the fact is extraordinary that the American Government should make representations to that of Mexico in regard to the pending legislation which, precisely because of being in a formative state, can cause no present injury to American citizens, and therefore it seems preferable to know the definite scope of the laws after they have been put into effect, since only then would we be able to appreciate whether the above-mentioned legislation is prejudicial to any rights or persons. The circumstance that there is an exception made to the effect that the observations in regard to such legislation are made in a friendly spirit does not prevent the possibility that suspicious minds may believe that it involves pressure upon the legislative bodies in order that the projected legislation be not approved, especially since these observations are preceded by press publications, which, although I am sure do not emanate officially from the respective offices, certainly originate therein.

Furthermore I understand that within the territory of the United States there are laws in force very similar to the one which is now pending the approval of the Mexican Senate denying to foreigners the very rights to which reference is made in the organic law of section 1 of article 27 of the Constitution, and which restrict and regulate in many cases the right to acquire and possess land. Then, too, according to a well-recognized principle of the law of nations, a nation must not claim as a violation of rights those not granted by itself, and therefore it is not fitting that the United States should attempt to prevent Mexico from adopting such laws in the exercise of her sovereignty.

I take the liberty of calling your attention to the legislation which exists in the State of Illinois, regulating the acquisition of real property by foreigners. This comprises exactly the same provisions contained in the legislation approved by the Mexican Chamber of Deputies, but more extreme, since the period given for foreigners to divest themselves of their properties is very much shorter than that contemplated by the Mexican law, and the penalty imposed for the infraction of its provisions is the future loss of the real property or of the pertinent rights in favor of the State of Illinois. This law is surely more drastic, more conclusive, and goes further in its effects than the projected Mexican legislation.

Referring now to the aims of the projected legislation, you are advised that it merely tends to avoid in general an abuse which the very jurisprudence of the United States decries. No person may acquire through a company, property which he is not permitted to possess directly. Devlin, page 259, paragraph 224, says:⁴²

“Foreign corporations purchasing stock of local corporations.—A foreign corporation cannot as a device to enable it to hold real estate purchase the capital stock of a local corporation. Such an act is a violation of the law prohibiting corporations from acquiring any real estate within the State unless authorized by law and land so held is subject to escheat.”

Moreover, the legislation pending the approval of Congress is not a novelty in our system. The present Constitution has consecrated it for several years and it has been applied without opposition on the part of foreigners up to the present time; other laws, as well, have consecrated it for some time; for example, the railroad law, promulgated as far back as the 29th of April, 1899, in article 49, establishes that all railroad enterprises must always be Mexican, even though the company has been organized abroad, and even though all or some of its members be foreigners; the company itself will be subject to the tribunals of the Republic, whether federal or local, in all affairs over which they may have jurisdiction in accordance with the laws; the enterprise and all foreigners and their successors who may take part in the business of the company, whether they be shareholders, employees, or in any other character, will be considered as Mexicans in everything related to the company; they may never allege, in regard to the titles and affairs related to the enterprise, any rights as foreigners under any pretext whatsoever and will only have the right and means of making such rights effective as the laws of the Republic grant to Mexicans, foreign diplomatic agents, therefore, having no right to interfere.

The mining law, in force since the 25th of November, 1909, in turn establishes restrictions for the acquisition on the part of foreigners of titles to mining property in a fixed zone on the frontier with foreign countries, and establishes the procedure which must be followed in the cases in which the pertinent provisions are not fulfilled.

Having made the foregoing explanations, and since I do not wish the idea to remain in your mind that the Mexican bill is retroactive and confiscatory, I shall proceed to examine the observations which you were good enough to make.

You refer to the provision which requires that a foreigner owning shares in companies having real property must agree before the Minister for Foreign Affairs to consider himself as a national in regard

⁴² Quoted in English in the original memorandum.

to the part of the property which is his share in the company, and not to invoke the protection of his government in respect to the same under penalty of forfeiture to the Nation of such property. In this connection you call my attention particularly to the fact that your Government has always declined to concede that repudiation of nationality made by a citizen can deprive the Government of the United States from using diplomatic intervention in case of a denial of justice.

Beyond the fact that the provision to which you allude is not new, that is to say, beyond the fact that it does not emanate from the law now pending before the Senate Chamber but proceeds from the Mexican Constitution of 1917, for which reason your observations seem inopportune, I take the liberty, in my turn, to reply to you that it is a universally accepted principle that every nation is sovereign to legislate in the matter of real property within its own territory. In consequence of this principle Mexico would be able to prevent all foreigners from acquiring such property within its jurisdiction and very justly may regulate the acquisitions of this kind because it is a principle of logic that he who can do the greater can do the lesser.

You observe particularly that the requirement of an agreement before the Ministry of Foreign Affairs, to which you have referred, is made without taking into account the date of the acquisition of the shares which the foreigner holds, by which you surely pretend to insinuate that the requirement should not be exacted of foreigners who acquired shares previous to 1917.

Possibly the foregoing statement is due to a lack of study of the law since, in article 5, it is clearly established that foreigners who may have acquired property or shares in Mexican companies will have all their rights respected, and precisely for this purpose it has been provided that a declaration be made before the Ministry for Foreign Affairs in respect to the rights which may have been acquired before the entry into effect of the law.

I sincerely believe that even supposing that those who might have acquired, before the entry into effect of the law, real property or shares in companies, should have to make the agreement required by the Constitution, this would not conflict with international law since, although it is well known that in accordance with such international principles, acquired rights may not be injured, in the case of the agreement no right is injured, since foreigners are at liberty to make at any moment the agreement under reference with the Ministry for Foreign Affairs, and since, especially, that which the principles of international law assure the foreigner is the respect of his property rights, but not respect of these rights as they existed

at the time of the acquisition, since this would be to deny to a sovereign nation the right of imposing upon all those who inhabit its territory the modifications and regulations necessary for the defense of its interests, and would make impossible its subsequent development.

I call your attention, on the other hand, to the fact that the agreement required by section 1 of article 27 of the Constitution, has been ill named a renouncement of nationality. Such a renouncement does not exist and it is merely a question of an agreement of limited and special effects.

Moreover, the legal provisions in effect in Mexico in this connection are not obligatory since, although it is a requisite required by the law that in order that a foreigner may acquire real property he must obtain the permission of the Government, the foreigner who does not wish to acquire it is not obliged to do so; but from the moment in which he consents to submit to these regulations it must be considered that he has undertaken a voluntary contract which entails, as a consequence, not the renouncement of his nationality, but the agreement not to invoke diplomatic protection in those matters in regard to which he has voluntarily agreed to consider himself as a Mexican, merely for the effects of the acquisition of such rights, submitting himself thus to the guarantees and recourses established by domestic laws. I consider, furthermore, that the Government of the United States will not come to believe that the object of these provisions might be that the Mexican authorities have the deliberate aim of committing acts of injustice against foreign citizens and against bona fide foreign investments.

In this connection I should also like to point out to you that this constitutional provision is less rigorous than that which certain states of the American Union require of foreigners, to wit: That of being bona fide residents within the limits of such states or of taking out first papers of American citizenship, in order to allow them to acquire rights to real property, and going so far in this direction as to require American citizenship even for the obtainment of labor as employees or servants of a certain class. Among others, the State of Arizona has established that no person might hereafter acquire titles or property within the State unless he be a citizen of the United States or have declared previously his intention of becoming such. And the same law establishes that no corporation, more than 30 percent of whose shares are in the possession of persons not citizens of the United States or who may have declared their intention of becoming such, may acquire lands, titles or interests, therein. (Civil Code, Arizona, 1913, chapter 3, section 4716.)

The provision which includes the requirements of this permission for foreign shareholders in Mexican companies is a consequence, as

has already been said, of the general principle established by the Mexican Constitution that in order that foreigners may obtain the ownership of lands, waters, and their accessions, or concessions for the development of mines, waters, or combustible minerals, must obtain a permit from the Ministry of Foreign Affairs and make an agreement to consider themselves as Mexicans as regards the acquisition of such rights. Furthermore, it proceeds from the policy of the American Government, which not only makes claims for foreign companies but even for Mexican companies. As a result of this policy it follows that foreign shareholders in Mexican companies not only enjoy the advantages of the laws of the country but, in addition, foreign diplomatic protection, a serious inequality for the development of Mexican companies which have no foreign shareholders.

It might be objected that the permission which foreign shareholders in Mexican companies must obtain in order to acquire rights therein will be an obstacle for corporations from the moment in which, in order to buy any share, a previous permission would have to be requested, but such would not be the case. In regard to shares payable to the bearer it will not be necessary that the bearers obtain the permission in every case; it will be quite sufficient that in the charter of the company it will be established that the shares payable to bearer must have inscribed upon them the obligatory provisions with the requirement that the acquisition of the shares is tantamount to an agreement on the part of the acquirer to consider himself as a Mexican national in regard to the acquisition of such titles, whereby the purchase of the share will be implicitly considered as subordinate to the requirement of the permission established by the Mexican Constitution.

In this connection I must inform you, as a proof, that this requirement has been so understood by all the unprejudiced companies operating in Mexico, which for several years have inscribed in their charters and upon their bonds this provision, thus anticipating what the law in project establishes, and acting in accordance with the spirit of the Constitution.

Since 1920, among others, the Consolidated Oil Company of Mexico and the Marland Oil Company of Mexico, S. A., and others have followed such a course, anticipating, as I have said, the provisions of the law under study.

You then go on to examine the requirement that shares in Mexican companies having agricultural purposes cannot, under any circumstances, accumulate in excess of 50 percent in foreign hands, and you say that this provision is retroactive and confiscatory. I suppose you will not charge that it is so as regards the future, and therefore I shall limit myself to analyzing its effect on the past. You will ob-

serve in the appropriate provisions of the organic law on which I am commenting that a long period is given to foreigners in which to divest themselves of their shares in such companies in excess of 50 percent. Therefore, the provision is not confiscatory, because the right is recognized, and only its transformation is required. This provision is not retroactive either, because it does not injure acquired rights since, as I said above, the form in which a foreigner holds a right may be changed by a sovereign nation as long as the right in its essence is respected.

The limitation imposed by the law upon companies possessing rural property for agricultural purposes tends to preclude possible conflicts in the application of agrarian legislation—since it is considered advisable to reserve the ownership and cultivation of the greater part of the land for Mexicans. Thus any possible chance of diplomatic discussion is eliminated, and this redounds to the direct and immediate benefit of the cordiality of our relations with other countries.

In regard to the permission for the present owners to preserve their rights until their death, the only thing that might be adduced is that the law puts a limitation upon the right of inheritance, which is in strict conformity with international law since, in such cases, there are no acquired rights, but simply an expectation of acquiring them. This has been practiced by the United States where there exist several laws on this matter, and Devlin, in the above-mentioned work on pages 260 and 261, paragraph 226, citing hundreds of authorities, says: ⁴³

“226. Alien acquiring title by descent. At common law an alien cannot acquire title to land by descent or by mere operation of law. The treaties of 1783 and 1794 between the United States and Great Britain were held to provide only for titles existing at the time of the making of the treaties and not titles subsequently acquired, and hence British subjects born before the Revolution were held to be equally incapable with those born after of inheriting or transmitting the inheritance of lands. Aliens, however, could inherit real estate under the laws of Mexico which were in force in California. But for the purpose of preventing an escheat, and with the object of effectuating the wishes of a testator, a court of equity will, if necessary, consider land as money, in a case where a testator, who is trustee, had directed the land to be sold, and will direct that the proceeds be given to the *cestui que trust*.”

A careful study of the law will show that it cannot be retroactive and confiscatory in its several provisions since, even in the cases in which a period of time is established for certain effects of the law, these rights are not confiscated, but it is established that foreigners may divest themselves in prudent and ample periods.

⁴³ Quoted in English in the original memorandum.

The President of the Republic, as well as the two legislative chambers, are animated in this respect with the best desires and have the firm intention of doing nothing but what is just, fair, and allowable under international law.

I believe that the foregoing will be sufficient to convince you that the law in project, although it entails for foreigners the necessity of fulfilling certain acts to place themselves in harmony with it, does not disregard any of their rights. And as further explanation I wish to repeat to you what I noted in my memorandum of November 28th [26th],⁴⁴ to wit: that the provisions contained in the legislation on which you have been good enough to make observations have already been put in practice for the last 7 years in conformity with the various decrees and proclamations of the Executive, who found himself compelled from the beginning to apply section 1 of article 27 of the Constitution.

Finally, I believe that your idea will disappear, that such legislation may contravene the understanding reached by the two Governments through their commissioners before the resumption of relations, since the spirit of this agreement was only one of mutual respect for the rights of the two sovereign nations but never of setting aside the clear provisions of their respective Constitutions.

MEXICO, December 5, 1925.

812.6363/1592 : Telegram

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

[Paraphrase]

WASHINGTON, December 12, 1925—7 p. m.

274. Below is the substance of my conversation today with the Mexican Ambassador. Unless you believe it to be inadvisable you are authorized to use it as a basis of a conversation with the Mexican Minister for Foreign Affairs:⁴⁵

“The Secretary referred to a memorandum of the Mexican Minister for Foreign Affairs⁴⁶ in answer to a memorandum left with Señor Sáenz on November 27,⁴⁷ in which certain observations were made concerning the bill proposed to ‘regulate’ Article 27 of the Mexican Constitution. Señor Téllez stated that he had not yet received a copy of this memorandum, but that he had had a telegram from his Government stating that it was on the way.

⁴⁴ *Ante*, p. 538.

⁴⁵ Quotation which follows not paraphrased.

⁴⁶ *Supra*.

⁴⁷ See telegram No. 264, Nov. 25, to the Ambassador in Mexico, p. 529.

The Secretary then read to Señor Téllez from Page 2 of the memorandum,⁴⁸ and remarked, in connection with the implied criticism of the Secretary's action in commenting upon pending legislation in Mexico, that we had received at different times representations from foreign governments in respect to pending legislation in the United States, and that it seemed to him that the time to make these comments was before the legislation should be enacted, with a view to avoiding future friction. The Secretary explained very fully to Señor Téllez that this Government had made it most clear at all times that it did not wish to make any observations on legislation in Mexico aimed solely at the future, and had carefully restricted the scope of the observations made to the features in the pending bills which seemed to have retroactive effect and to affect vested rights duly acquired under previously existing Mexican laws. He added that the letter and spirit of the minutes of the discussions between the Mexican Commissioners and Messrs. Warren and Payne should also always be borne in mind in this connection.

Alluding to the implication in the reply from the Mexican Minister for Foreign Affairs that these observations were preceded by press publications which, although he was sure did not emanate officially from the respective offices, certainly originated therein, the Secretary stated that this was not true; that he had in accordance with his own views and the agreement reached with the Minister for Foreign Affairs, carefully refrained from any allusion to the matter during his conversations with the press, and that no information had been given out either by the members of the American Embassy in Mexico or by the Department. Señor Téllez observed that some of the American correspondents in Mexico City had sent despatches concerning the bill, and it was intimated subsequently to Señor Téllez that these correspondents had many sources of information in Mexico and that the text of the bill was not difficult for them to obtain.

The Secretary stated to the Ambassador that he did not desire to go into a detailed discussion of the provisions of the Alien Land and Petroleum laws; that he had examined with care the reply of the Mexican Government and had examined the Petroleum Bill⁴⁹ and it seemed to him, and it was the unanimous opinion of all American interests which had made representations to the State Department, that these bills, if they become laws, would divest vested rights legally acquired under Mexican laws and he deplored the construction evidently placed upon his recommendations, which were made only in a friendly spirit and in consonance with his desire to protect duly vested American rights and to avoid misunderstanding between the two countries. The Secretary pointed out to the Ambassador that the two laws referred to, the one of Arizona and the one of Illinois, were not retroactive and did not divest previously vested rights of foreign citizens. The Arizona law specifically provides that no person other than a citizen of the United States, or who has declared his intention to become such, and no corporation more than 30 percent of whose stock is owned by persons other than citizens of the United States or who have declared their intention to become

⁴⁸ Reference is to the text as telegraphed by the Ambassador in his No. 269, Dec. 8, 10 a. m.; not printed.

⁴⁹ *Ante*, p. 531.

such, shall hereafter acquire any land or title thereto or interest therein other than mineral lands or such as may be necessary for the actual working of mines and the products thereof. The Arizona law also has a proviso that it shall not be construed in any way to prevent or interfere with the ownership of mining lands. The Illinois Statute does not in terms apply to lands acquired previous to the passage of the law and has been so construed by the Supreme Court of Illinois as not applying to previously vested rights of aliens. This construction is binding upon every court in the United States.

The Secretary went on to say that we have given many evidences of our friendship to the present Government of Mexico; that the restriction on the sale of arms have been removed from all Central American countries except in one or two instances where we have treaty requirements, but we continued to police the international border at our expense and to maintain the embargo on arms to Mexico; that no shipments of arms or explosives have been made to Mexico since the embargo except upon express permit given by the Department of State and with the approval of the Mexican Embassy in this capital; that we had on several occasions attempted to restrict the activities of persons in this country supposed to be furthering revolutionary or subversive movements; that we have always refused to receive representatives of any Mexican revolutionary groups; that he has purposely refused to receive any Mexican in order to avoid the risk of finding himself confronted with some one representing a revolutionary movement unless that Mexican were duly presented by the Mexican Ambassador. The Secretary referred to . . . whom he had refused to receive because he was informed that he was in league with Mexicans in this country desiring to stir up a revolution.

The Secretary alluded to the growing impression among Americans interested in Mexico that there was a general campaign of legislation designed to deprive them of their rights, and concluded by saying that he hoped that this was not true but that he desired to have a frank talk with Señor Téllez on the subject.

The Secretary alluded to the labor bill pending in Mexico, but observed that of course it was a matter of domestic policy, and that we did not wish to make any official representations thereon, but that American interests were very much concerned over its possibilities."

Department is of the opinion that some provisions of the petroleum bill are retroactive and destructive of the vested rights of Americans. After reading reply of Foreign Minister I am convinced that criticisms of land bill were justified. If you are of the opinion, after you have had further conversations with the Foreign Minister, that the Department should file a formal protest against the petroleum bill and should make a further reply to Foreign Office note in answer to your November 27th, I shall do so. Do not leave with Foreign Office a memorandum of my above conversation since the Ambassador took no notes and his report may differ from mine in detail. Reply at once as to whether Department should make representations.

KELLOGG

812.6363/1614 : Telegram

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

[Paraphrase]

MEXICO, December 16, 1925—5 p. m.

[Received December 17—5:17 a. m.]

280. Department's telegrams 274 December 12, and 277 December 14.⁵⁰ In an interview at noon today with the Minister for Foreign Affairs I adhered closely to the contents of your number 274. I spoke first upon the petroleum bill and then upon the memorandum of December 5 concerning the bill to regulate section 1 of article 27, the Arizona and Illinois statutes not having a retroactive character, and finally impressed upon him the numerous proofs of friendship the Mexican Government had received from the United States, the continuance of the embargo on arms being included. I only referred to articles 14 and 15 of the petroleum bill as being contrary to the decisions of the Supreme Court of Mexico as well as the formal declaration of policy of the Mexican Government made to Messrs. Warren and Payne in 1923. I also referred to the obvious contradiction between the provision of the bill for the regulation of section 1 of article 27, by which foreign corporations are forbidden to acquire concessions in combustible minerals, and the provision of the bill which requires that petition must be made for confirmation of rights to the subsoil previously acquired.

The Minister for Foreign Affairs disclaimed special knowledge of matter which, he said, was in the jurisdiction of the Department of Industry. He stated that the Mexican Government did not admit that the bill was retroactive and confiscatory, but that the regulation of the industry for the benefit of all interests was absolutely necessary and that it would eliminate the possibility of continued individual interpretation of the law. I asked him whether he did not consider a law as confiscatory and retroactive which limits the ownership of property guaranteed by a decision of the Supreme Court as a vested right. He stated that power to enact such law was vested in Congress and that such law was analogous to the exercise of police power. The position of the United States was reiterated several times by me that this project of law and the bill for the regulation of section 1 of article 27 of the Constitution were confiscatory and retroactive and that the views of the United States Government were brought to the attention of the Mexican Government while the bills were pending to prevent, if possible, development of a situation by which the cordiality of the relations between the two Governments might be adversely affected. In regard to this he expressed appreciation of our friendly

⁵⁰ Latter not printed.

motive and he stated that the President had authorized him to say that his Government fully reciprocated this sentiment and that it was determined that nothing should be done which might jeopardize the cordiality of the relations between the two Governments.

The Minister for Foreign Affairs stated that Ambassador Téllez had informed him that he had had a similar conversation with the Secretary of State; and he wished me to advise you that, with regard to your expression of anxiety to Téllez concerning the pending legislation, you need not be disturbed, that the situation remained in *statu quo*, that all denouncements of mining properties made by individuals before 1917 would be respected, and that all those made since then had been effected under the provisions of the Constitution of 1917 through permits granted to individuals upon petition.

I emphasized our desire to prevent the development of an unfavorable situation by making representations concerning the pending legislation. His attitude was conciliatory and he promised to call attention of the appropriate authorities to today's exchange of views.

It is probably too late for a formal note to affect the situation, as the pending petroleum bill will probably be passed by the Senate today with slight modifications.

That your conversation with Ambassador Téllez had produced good results here was evident from the Minister's attitude, and the Mexican Government seems to desire to avoid an issue at this time. I do not believe that the two bills, the bill regulating section 1 of article 27 of the Constitution and the petroleum bill, can be made innocuous on account of the pressure in Congress. It is my opinion that the Executive branch of this Government seems to be disconcerted by our recent representations.

There seems to be no need at this time to reply to the Mexican memorandum of December 5, but if either of these bills becomes law, I believe that a formal note should be presented promptly to prevent, if possible, passing of the other bill.

SHEFFIELD

812.6363/1624 : Telegram

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

MEXICO, December 22, 1925—11 a. m.

[Received 4:20 p. m.]

291. My telegram number 287 December 19.⁵¹ Chamber of Deputies last night passed petroleum bill with Senate amendments. Bill thus passed by Congress now goes to the President for approval. See last sentence my telegram number 280 December 16, 5 p. m.

SHEFFIELD

⁵¹ Not printed.

812.6363/1629 : Telegram

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

WASHINGTON, December 31, 1925—9 p. m.

294. Your 298, December 24, 4 p. m.⁵² Department desires you to present substantially the following in a first person note:

Under instructions from my Government I have the honor to refer to the official publication in the edition of the *Diario Oficial* of blank date⁵³ of the text of a law regulating land ownership by foreigners, and to recall to your attention the statements respecting the bill now enacted which I made to you November 17 and 27 last, and to say that generally speaking the observations made in those statements regarding certain retroactive and confiscatory features of the bill are considered to be applicable to the law as published in the *Diario Oficial* above mentioned.

My Government has also instructed me, referring to the official publication in the edition of the *Diario Oficial* of blank date⁵⁴ containing the text of a petroleum law, to remind you that December 16 last,⁵⁵ I conveyed to you, in confirmation of the statement made by the Secretary of State of the United States to Ambassador Téllez on December 12 last,⁵⁶ certain general observations relating to the retroactive and confiscatory character of the petroleum bill then pending. My Government regrets to observe that the last mentioned law published in *Diario Oficial* appears to be subject to the same objections which were advanced against the pending bill. Specifically, but with the expressed statement that the following objections are not comprehensive, my Government desires me to point out that in its view:

1. This law fails by far to give full recognition to rights lawfully acquired prior to the adoption of the present Mexican Constitution, when Mexican law expressly provided that the owner of surface lands owned also the subsoil deposits of petroleum.

2. The law fails not only in the respect indicated, but it also fails to respect decisions of Supreme Court of Mexico in the interpretation of the very Constitutional provisions which the law is apparently designed to regulate, in that those decisions hold in effect that such Constitutional provisions are not retroactive as to those, whether corporations or individuals, who performed any one of a number of what are denominated as "positive acts", whereas,

- A. This law (Article 4) seems to provide that foreign corporations, regardless of the time when they lawfully acquired rights and irrespective of whatever "positive acts" they performed, will not be able to obtain recognition of those rights, and

⁵² Not printed.

⁵³ Inasmuch as the text of the land law was not published in the *Diario Oficial* when Ambassador Sheffield delivered this note to the Foreign Office on January 8, the first paragraph of the note was modified so as to omit reference to the publication in the *Diario Oficial*. The text of the land law was published in the *Diario Oficial*, Jan. 21, 1926.

⁵⁴ Dec. 31, 1925.

⁵⁵ See Embassy's telegram No. 280, Dec. 16, 5 p. m., p. 550.

⁵⁶ See telegram No. 274, Dec. 12, 7 p. m., to the Ambassador in Mexico, p. 547.

B. That foreign individuals, without regard to the time when they lawfully acquired rights and irrespective of whatever "positive acts" they performed, will be deprived of such rights unless they renounce their citizenship with respect to such rights (Article 4), and

C. That the number of "positive acts" recognized shall be much less than those enumerated in the decisions mentioned (Article 14), and

D. That even as to foreign individuals who performed "positive acts" recognized in the law and make the renunciation mentioned, confirmation of their rights must be applied for within a year or such rights will be forfeited (Article 15).

3. In apparent contradiction to the statements made by the Mexican Commissioners in the conferences held in Mexico City in 1923, as to the past, present and future policy of the Mexican Government to grant preferential rights to the owners of the surface or persons entitled to exercise their preferential rights to the oil in the subsoil, who had not performed a "positive act", the law in question seems to give no preferential rights to such owners or persons.

My Government also directs me to invite Your Excellency's attention to the provision in the laws under discussion requiring foreigners to waive their nationality and to agree not to invoke the protection of their respective governments so far as their property rights are concerned under penalty of forfeiture, and to inform Your Excellency that my Government has consistently declined to concede that such a waiver can annul the relation between an American citizen and his Government or that it can operate to extinguish the obligation of his Government to protect him in the event of a denial of justice.

In connection with the foregoing considerations, my Government further calls attention to the statements made by the Mexican Commissioners at the conference mentioned regarding the duty of the Federal executive power under the Constitution to respect and enforce the decisions of the judicial power, wherein, speaking as they stated for the Mexican Government, Mexican Commissioners said: "In accordance with such a duty, the Executive has respected and enforced, and will continue to do so, the principles of the decisions of the Supreme Court of Justice in the 'Texas Oil Company' case and the four other similar *Amparo* cases, declaring that paragraph IV of Article 27 of the Constitution of 1917 is not retroactive in respect to all persons who have performed, prior to the promulgation of said Constitution, some positive act which would manifest the intention of the owner of the surface or of the persons entitled to exercise his rights to the oil under the surface to make use of or obtain the oil under the surface".

Then enumerating a large number of positive acts the Mexican Commissioner added: "The above statement has constituted and will constitute in the future the policy of the Mexican Government, in respect to lands and the subsoil upon which or in relation to which any of the above specified acts have been performed, or in relation to which any of the above specified intentions have been manifested".

My Government is therefore unable to escape the conclusion that the petroleum law as published in the *Diario Oficial* violates rights lawfully acquired under Mexican law, provisions of the present Mexican Constitution, recent decisions of the Supreme Court of Mexico, and

pledges solemnly given but two years ago by designated representatives of the Mexican Government.

With respect to both the laws referred to, my Government is of the view that these laws are in violation of the principles of international law and equity.

In view of the foregoing my Government directs me to inform Your Excellency that it hereby reserves on behalf of citizens of the United States whose property interests are or may hereafter be affected by the application of the two above mentioned laws, all rights lawfully acquired by them under the Constitution and laws of Mexico in force at the time of the acquisition of such property interests and under the rules of international law and equity, and points out that it is unable to assent to an application of the recent laws to American owned properties so acquired which is, or may hereafter, be retroactive and confiscatory.

KELLOGG

RENEWED NEGOTIATIONS FOR A SETTLEMENT OF THE DISPUTE OVER THE RIO GRANDE BOUNDARY

711.1215/566

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

No. 68

WASHINGTON, May 9, 1924.

SIR: The Department encloses a copy of a letter of December 1, 1923, from the American Commissioner on the International Boundary Commission, United States and Mexico,⁵⁷ in which he advised the Department that he was forwarding under separate cover the minutes of the first formal meeting between the American and Mexican sections of the Commission since the resumption of diplomatic relations with Mexico.⁵⁸ It appears from the Commissioner's letter that the Mexican Commissioner had requested that a survey be commenced south of El Paso, Texas, for the elimination of bancos under the Convention of 1905 between the United States and Mexico.⁵⁹ You will observe the statement of the American Commissioner in relation to the suspension of action looking to the elimination of bancos, and in this connection it may be stated that prior to January 6, 1911, at the instance of the Mexican Government, the Department agreed to instruct the Boundary Commission to suspend awards concerning bancos pending the settlement of the Chamizal case,⁶⁰ and that by the Department's letter to the American Commissioner of the date last mentioned,⁶¹ the Department indicated its ac-

⁵⁷ Not printed.

⁵⁸ For correspondence concerning recognition of the Obregón government, see *Foreign Relations*, 1923, vol. II, pp. 522 ff.

⁵⁹ *Ibid.*, 1907, pt. 2, p. 837.

⁶⁰ For previous correspondence concerning the Chamizal case, see *ibid.*, 1913, pp. 957 ff.

⁶¹ Letter of Jan. 6, 1911, not printed.

quiescence in the further suggestion of the Mexican Ambassador that this suspension should apply "only to the bancos lying above Rio Grande City and that the investigation and settlement of the case of bancos in the lower stream between Rio Grande City and the Gulf of Mexico proceed."

Accordingly the suspension of awards in banco cases above Rio Grande City was continued pursuant to the Department's letter of January 6, 1911, and has remained in force to the present time.

The Mexican Commissioner's request that these banco cases be now taken up for investigation and settlement raises interesting and important questions.

The Department desires that the Boundary Commission resume the important work of the elimination of bancos suspended because of the differences between the two governments with respect to the Chamizal case, which unfortunately were not adjusted by the arbitration of 1911,⁶² but the resumption of this work would seem to be a matter attended with great difficulty unless Mexico has abandoned the novel theory of treaty interpretation promulgated by presiding Commissioner Lafleur, and together with this theory, her claim upon the Chamizal tract.

The record shows that at the first trial of the Chamizal case before the International Boundary Commission in 1894-1896, Mexico contended that the Chamizal tract was formed as the result of an avulsive change and that at the second trial of the case in 1911, Mexico contended for the so-called fixed line theory, that is, that the boundary remained in the thread of the channel of the Rio Grande as shown by the original surveys of 1852. However, Mr. Lafleur, the presiding Commissioner at the second trial, in his opinion and award found against both these contentions on the part of the Mexican Government, and advanced the entire novel, and in the opinion of the Department, the wholly unsound theory that Articles 1 and 2 of the Boundary Convention of 1884 between the United States and Mexico,⁶³ as interpreted by Article 4 of the Boundary Convention of 1889,⁶⁴ were not confined to changes brought about through "avulsion or erosion", as set forth in the last mentioned article, but that there is another kind of change which might perhaps be called a change wrought by violent erosion that is to be assimilated as to legal effects to an avulsive change. The effect of the application of this theory of Commissioner Lafleur would be to dis sever the boundary line from the river to substantially the same extent as the fixed line theory. It would separate the boundary line from the river as it runs today

⁶² See *Foreign Relations*, 1911, pp. 565 ff.

⁶³ Malloy, *Treaties*, 1776-1909, vol. I, p. 1159.

⁶⁴ *Ibid.*, p. 1167.

throughout a distance of about eight hundred miles, except at the point of intersection of the present channel with the channel of 1852. The practical results of this theory were admirably stated by General Anson Mills, the American Commissioner of the International Boundary Commission, at the first trial of the Chamizal case in 1896, when he was dealing with the then Mexican contention that the erosive change which took place at the Chamizal tract could be classified as an avulsive change. In the course of his opinion General Mills said:

“In the opinion of the United States Commissioner, if the change at El Chamizal has not been ‘slow and gradual’ by erosion and deposit within the meaning of Article I of the Treaty of 1884, there will never be such a one found in all the 800 miles, where the Rio Grande, with alluvial banks, constitutes the boundary, and the object of the treaty will be lost to both governments, as it will be meaningless and useless, and the boundary will perforce be through all these 800 miles continuously that laid down in 1852, having literally no points in common with the present river, save in its many hundred intersections with the river, and to restore and establish this boundary will be the incessant work of large parties for years, entailing hundreds of thousands of dollars in expense to each government and uniformly dividing the lands between the nations and individual owners, that are now, under the supposition that for the past forty years, the changes have been gradual, and the river accepted generally as the boundary, under the same authority and ownership; for it must be remembered that the river in the alluvial lands, which constitute 800 miles, has nowhere to-day, the same location it had in 1852.” (Appendix to the United States Case, Chamizal Arbitration, page 211.)

Therefore, if the Lafleur theory of “violent erosion” is to be applied by the Boundary Commission, it would appear to be useless to begin the work of the elimination of bancos. On the other hand, it would of course be inconsistent and unjust for Mexico to claim the Chamizal tract if it be conceded that the work of the Commission is to proceed upon the American theory of “slow and gradual erosion” as opposed to “avulsion”, the Lafleur theory of violent erosion being reserved solely for use in the Chamizal case. The inconsistency of such contention on the part of Mexico is clearly shown by the case of the Weber banco mentioned by the American Commissioner in his letter of December 1, as one of the first bancos requiring the attention of the Commission. This banco is but a short distance from the Chamizal tract and is understood to have been formed by the rapid erosion which shifted the channel of the Rio Grande from its course in 1889 to its course in 1907. The river appears rapidly to have eroded the American bank at that point and built up an accretion on the south bank and then in 1911 to have made an avulsive change, thereby throwing the accretion to the Weber tract to the north or left bank of the Rio Grande and constituting a typical banco. If the

American theory of avulsion and erosion is applied to this banco it will doubtless be held to the Mexican territory and then eliminated to the United States. If on the other hand the Lafleur theory of "violent erosion" be applied thereto, the banco would probably be adjudicated wholly or at least in great part to the United States in the first instance. In other words, if the American theory of construction is applied in this case the banco will be awarded to Mexico, thus preserving the Mexican private titles therein and then eliminated to the United States, but if the Lafleur theory is applied the banco will be held to be American territory and the Mexican titles to this property will be voided. The application of the Lafleur theory will apparently produce the immediate result in the case of this banco of a great injustice to the private persons interested and the ultimate result of confusion all along the boundary, while the application of the American theory will result in the doing of justice in the case of this banco. Nevertheless, it would be highly unjust for Mexico to invoke sound principles of construction in order to obtain the Weber banco while still clinging to her claim, based on precisely the opposite theory, to the Chamizal tract in the immediate vicinity.

In view of the foregoing it will be seen that a satisfactory adjustment of the questions indicated should be arrived at before the elimination of the bancos can well proceed, and the Department believes that the time has arrived when such an adjustment can be reached. You will observe that in his communication of December 1, 1923, the American Commissioner states that the Mexican Commissioner is of the opinion that "as far as our Boundary Commission is concerned the Chamizal zone case is disposed of and is now placed before the two Governments for such disposition as they may deem proper". This expression on the part of the Mexican Commissioner would seem only to go to the extent of saying that the Chamizal case is disposed of as far as the Commission is concerned without committing the Mexican Government itself, but the Department has been informed by you in your letter of January 31, 1924,⁶⁵ that during the course of your informal discussions with the Mexican Commissioners during the summer of 1923 you brought the Chamizal case informally to the attention of one of them and that he advised you, after consultation with the Foreign Office, that the Mexican Government was disposed to abandon the controversy and recognized the correctness of the view of the United States that the award of Commissioner Lafleur could not be carried out. You further stated that the Mexican Commissioner said that the matter could be readily adjusted through the usual diplomatic channels when relations were restored.

⁶⁵ Not printed.

In view of the whole history of the Chamizal controversy culminating in your informal discussions with the Mexican Commissioner, the Department believes that the occasion offered by the present proposals of the Mexican Boundary Commissioner for recommencing the surveys for the elimination of the bancos should be improved in an endeavor to terminate once and for all this long-standing and vexatious boundary question.

So far as the Chamizal case itself is concerned it could, of course, be settled simply by the unconditional relinquishment by Mexico of her claims on the tract, and it may be, in view of the attitude of the Mexican authorities as it appeared in the conversation of the Mexican Commissioner with you, that such an unconditional relinquishment can be brought about. Therefore, the Department suggests that, in view of what it believes to be the untenable character of Mexico's claims to this tract when viewed in the light of the history of the practical construction placed upon the boundary treaties for many years, it is proper for you to attempt to obtain an unconditional relinquishment of the Mexican claims. It is suggested that this might well be done in your discretion by taking up the matter in informal conversations with the Foreign Office, referring to the proposals of the Mexican Boundary Commissioner for the re-commencement of the surveys for the elimination of the bancos and to your informal conversation with the Mexican Commissioner in the summer of 1923 with regard to the Chamizal matter and indicating that if, as the Department assumes from these conversations, the Government of Mexico is no longer disposed to press its claims to any portion of the Chamizal tract, there would seem to be nothing to prevent the immediate resumption of surveys for the elimination of the bancos so far as the appropriation available for the American Commission now permits and that upon the receipt by you of a note from the Foreign Office confirming the foregoing understanding appropriate instructions in that case will be sent to the American Boundary Commissioner.

However, if it appears to you as a result of your informal conversations with the Foreign Office that such an unconditional abandonment of Mexico's claims to the Chamizal tract cannot be obtained, but that Mexico is disposed now as in the past to insist upon some consideration for this abandonment, you will inform the Foreign Office that while the American Commissioner on the International Boundary Commission will be instructed to make joint surveys in banco matters to the extent permitted by the appropriation, the Department cannot instruct him to attempt to decide banco cases with a view to the elimination of the bancos concerned until the Chamizal case is disposed of and the questions of treaty construc-

tion connected therewith settled in such a manner as to allow the Boundary Commission usefully to function in this respect. In these circumstances the Department also desires you to take up at once the general negotiations for the settlement of the Chamizal case and other boundary questions near El Paso, Texas, at the precise point where they were interrupted in 1913 and to present to the Mexican Government and earnestly urge upon its consideration the draft convention which is herewith enclosed. This draft convention was taken up substantially in its present form by the Department in the spring of 1913 for presentation to the Mexican Government in response to the memorandum handed by the Mexican Embassy to the Department January 27, 1913 (*Foreign Relations of the United States* 1913, page 971) and in the light of subsequent telegraphic correspondence, particularly the Department's telegram to the Embassy of March 3, 1913, 8 p. m. (*Foreign Relations* 1913, page 973), the Embassy's telegram of March 13, 1913 (*Foreign Relations* 1913, page 974), the Department's instruction of March 27, 1913 (*Foreign Relations* 1913, page 975), and the Embassy's telegram of March 28, 1913 (*Foreign Relations* 1913, page 975).

It may be observed that the draft of the convention embodies the fundamental ideas of the Mexican Embassy's memorandum of January 27, 1913, together with the Department's proposed modifications of March 3, 1913, and the Department believes that this convention offers not only a just solution of the Chamizal case, but of the entire boundary question at El Paso growing out of river changes at the so-called Cordova tract, as well as at the Chamizal tract.

With regard to the Chamizal tract itself it is very important to bear in mind in discussing the convention that this Government took the firm and unalterable position that the so-called Chamizal Award of 1911 was both impossible of performance in fact and utterly void as a matter of law. This position was taken by the American Commissioner and the American Agent at the time the decision was rendered (Proceedings of the International Boundary Commission for June 15, 1911, *Foreign Relations* 1911, page 597) and was promptly ratified by the Department of State in a memorandum to the Mexican Embassy of August 24, 1911 (*Foreign Relations* 1911, page 604 [598]) and announced by the President of the United States in his Annual Message of December 7, 1911 (*Foreign Relations* 1911, XI) and admits of no discussion so far as this Government is concerned. It will be observed that the before-mentioned Mexican memorandum of January 27, 1913 frankly provides in its first proposition for the adherence of both Governments "to the attitudes they have respectively taken on the matter and to the scope given by each to the final award". This fundamental concept is scrupulously fol-

lowed in the proposed convention and it is of the utmost practical importance that it should be followed, since if this Government even for an instant admitted the validity of the Lafleur Award of 1911, although Mexico in the next instant ceded the Chamizal tract to the United States, the result might be to cast doubt upon the private American titles to the lands in the tract upon which thousands of people make their homes and which are now understood to be worth, with the improvements which have been placed thereon, many millions of dollars.

Aside from the extinguishment of Mexican claims on the Chamizal tract provided for in the convention, another point of large importance to the continued growth and development of the City of El Paso is the provision therein contained for drawing the boundary line so as to throw the so-called Cordova tract into the jurisdiction of the United States. This tract, although upon the American side of the river as it runs today and immediately adjoining the City of El Paso, is, in accordance with the principles of treaty construction which the United States has always maintained, unquestionably Mexican territory.

The Department is informed that the Cordova lands, owing to their geographical position, have become an ideal base of operation for persons engaged in the smuggling of liquor, narcotics, and aliens into the United States, and the resulting situation constitutes a nuisance to both Governments and a menace to the peace and good order of the border cities of El Paso and Juarez as has been clearly demonstrated by unpleasant incidents which have occurred at that point.

Aside from remedying this situation by making the river as it runs the boundary between El Paso and Juarez, the inclusion of the Cordova lands within the United States would also make it possible, if it should be found to be desirable, to bring the railroads into El Paso along the river bank instead of through the center of the city as at present, and without expressing any opinion as to the desirability of this change, which is for the consideration of the citizens of El Paso, it would unquestionably be advantageous if this question could be determined upon its technical and economic merits without reference to the situation of the international boundary line.

For all these reasons the Department regards the bringing of the Cordova lands into the United States as of great public utility and one of the principal inducements for agreeing to a convention following the general lines proposed by Mexico in 1913 and including compensation under certain conditions and in a limited amount for the Mexican private titles in the Chamizal tract, the validity of which the Department has always denied. There is enclosed a memo-

randum⁶⁶ as to the area and value of the lands transferred or relinquished under the proposed draft of a boundary convention. This memorandum was prepared in 1913 at the same time as the proposed convention, but it is believed that any changes in value which may have taken place since that time are of no particular consequence inasmuch as the Mexican negotiators have always disclaimed the idea of accepting money in return for sovereignty, and the negotiations have proceeded upon the basis of an exchange of a substantially equal amount of acreage which is to be for the mutual benefit of both countries as in the case of the elimination of the bancos, in addition to any compensation which may be equitably due on account of private titles. As is pointed out in the enclosed memorandum as to the area and value of the land, there is no compensation due under this head unless it be in the case of the disputed Mexican titles in the Chamizal tract, and the compensation should be made for these, if at all, only as proposed in the convention, that is, in an amount not to exceed the assessed valuation of the lands without improvements at the date of the Chamizal Award. Any subsequent increase in the value of the lands in the Chamizal tract is, therefore, immaterial.

With respect to the maps referred to in the draft convention it may be said that these maps were taken by Mr. Summerlin⁶⁷ with the copy of a draft convention on the Chamizal matter which he brought to Mexico from the Department in May, 1921. Reference is made to this by Mr. Summerlin in his letter to Mr. Hanna of September 29, 1923,⁶⁸ and it is presumed that these maps are still in the Embassy's possession. Should this not prove to be the case, the Department upon being so informed will forward other maps.

With respect to the memorandum of area and value which is enclosed it may be observed that the Department's information indicates that there may have been a considerable diminution of the thirty acre tract near El Paso, south of the artificial cutoff referred to in paragraph 1a of that memorandum and it may be in view of the constant erosion which has taken place at that point that little, if any, of this tract still remains. An official joint survey would be required to ascertain the fact in this respect but if any of the tract is still in existence convenience clearly calls for its transference to Mexican sovereignty and even if the tract has wholly disappeared through the shifting of the river to the south at this point so as to entirely destroy the tract and pass it under the river to the American side no harm can be done by establishing formally and definitively

⁶⁶ Not printed.

⁶⁷ George T. Summerlin, Counselor of the Embassy in Mexico.

⁶⁸ Not printed; Matthew E. Hanna was Chief of the Division of Mexican Affairs.

in the treaty that the running river is the boundary line at this point. Moreover the tract is so insignificant in area and of so little comparative value that its disappearance in whole or in part would seem to have no material bearing upon the question of the fairness of the territorial exchange offered to Mexico, since the area of the Horcon Bar which it is proposed to transfer to Mexico is about one-third greater than the area of the Cordova tract which it is proposed to transfer to the United States.

Finally, the Department would point out that the negotiations for the disposition of this boundary matter have been pending for a number of years and have more than once failed of conclusion when apparently on the point of successful consummation by reason of events having no relation to the merits of the questions under consideration, such as the overthrow of the Madero Government in 1913.⁶⁹ Therefore, the Department regards it as of great importance that the present favorable opportunity arising from the recently renewed and very friendly relations between the two governments taken in connection with your own cordial personal relations with the Mexican authorities should be taken advantage of for bringing these negotiations to a successful conclusion with the least possible delay. The Department deems it particularly desirable that if practicable these negotiations be concluded before the opening of the sessions of the General Claims Commission to be constituted under the convention recently entered into with Mexico.

For your convenient reference with respect to the entire history of the Chamizal controversy the Department encloses a copy of a memorandum on the Chamizal negotiations prepared by Mr. William C. Dennis,⁷⁰ who was Agent of the United States in the Chamizal Arbitration of 1911 and thereafter Counsel for the Cotton estate and other American property owners in the Chamizal tract, and more recently also for certain American interests in the Cordova tract.

I am [etc.]

CHARLES E. HUGHES

[Enclosure]

Draft Convention for the Settlement of the Chamizal Case and for the Better Definition of the International Boundary at Certain Points Along the Rio Grande

The United States of America and the United Mexican States, being desirous of adjusting on a basis of practical conveniences certain differences that have arisen and still subsist between them, with

⁶⁹ See *Foreign Relations*, 1913, pp. 692 ff.

⁷⁰ Not printed.

respect to the location of a portion of their International Boundary Line, and with respect to the validity and binding effect of the decision of the International Boundary Commission in the Chamizal Case of June 15th, 1911, the Government of the United States of America maintaining that said decision is absolutely invalid for all purposes for the reasons set forth in the dissenting opinion of the American Commissioner and in the protest of the American Agent, and the Government of the United Mexican States maintaining the validity of the said decision, have resolved to conclude a Convention for that purpose and have appointed as their respective plenipotentiaries:

The President of the United States of America

.....

and the President of the United Mexican States

.....

Who, after having exhibited their respective full powers and having found the same to be in due form, have agreed upon the following articles:

ARTICLE I

The High Contracting Parties adhere to the attitude they have heretofore taken with regard to the validity of the decision of the International Boundary Commission in the Chamizal case of June 15, 1911, but in order to terminate the differences hereinbefore mentioned, and by way of compromise, as well as in view of the fact that the Chamizal Tract is an integral part of the City of El Paso, they hereby formally and finally recognize the following described lines as the true international boundary at the points therein mentioned:

Starting from the point where parallel 31 degrees and 47 minutes north latitude intersects the channel of the Rio Grande, the International Boundary Line follows the center of the normal channel of the Rio Grande to a point as near as may be immediately below the more easterly of the two tracts of land, lying between the abandoned channel of 1901 and the artificial cut-off, which are designated "A" and "B" on a map annexed to the present Convention (Map No. 1)⁷¹ and signed in duplicate by the two plenipotentiaries. This boundary line is understood to be arcifinious and is substantially as shown by the broken red line on this map.

At the artificial bar known as El Horcon, the International Boundary Line follows the center of the normal channel of the Rio Grande. This boundary line is understood to be arcifinious and is substantially as shown by the broken red line on a map annexed to the

⁷¹The maps accompanying this convention have not been reproduced.

present Convention (May Number 2), and signed in duplicate by the two plenipotentiaries.

ARTICLE II

In view of the difference of opinion with respect to the validity of the decision of June 15, 1911 of the International Boundary Commission in the Chamizal Case shown in the Preamble and in Article I of the present Convention, the High Contracting Parties agree that the decision does not establish any precedent whatever as to the construction to be given to the boundary treaties and conventions in force between the two countries.

ARTICLE III

Whereas the Mexican Government contends that the parts of the Chamizal Tract covered by private titles of Mexican origin prior to the date of the decision of June 15, 1911, of the International Boundary Commission in the Chamizal case must be considered as being under a valid title, and whereas the Government of the United States of America on the other hand does not acknowledge the validity of these Mexican private titles, the High Contracting Parties, in order to dispose of this question, and without giving any force or effect to the said decision, agree by way of compromise as follows:

A commission to be established by the two governments, and composed of three representatives, one appointed by the Government of the United States of America, another by the Government of the United Mexican States, and a third by the two so appointed, shall examine these alleged Mexican private titles from the standpoint of Mexican law for the purpose of determining which if any of these titles would be valid under Mexican law if the Chamizal tract were assumed to be Mexican territory.

This commission shall meet at El Paso as soon as possible after the exchange of the ratifications of this convention. It shall be empowered to make such rules and regulations as it may deem necessary for the transaction of business. The decisions of the Commission, whether rendered unanimously or by majority vote of the commissioners, shall be final and conclusive upon both governments and without appeal. Only such claims shall be considered as are presented with the formal approval of the Mexican Minister of Foreign Relations within a period of six months after the date of the first meeting of the Commission.

Each Government shall pay the expenses of the commissioner appointed by it, and all other expenses of the Commission, including the compensation of the third member, shall be borne by the two Governments in equal moieties.

When any private title shall have been found to be valid as aforesaid, the Commission shall endeavor to locate the land covered by such private title and shall appraise the value of all land so located at an amount not in excess of the appraised value thereof as fixed by the tax assessors in El Paso at the date of the decision of the International Boundary Commission in the Chamizal case of June 15, 1911, without taking into account improvements of any description which may be found thereon except those if any made by claimants under Mexican private title prior to the date of the said decision of the International Boundary Commission, and the value so determined shall be paid by the Government of the United States of America to the Government of the United Mexican States for distribution in accordance with the findings of the Commission. The payment by the Government of the United States of America to the Government of the United Mexican States of the sums awarded by the Commission shall forever extinguish all alleged Mexican private titles in the Chamizal Tract and satisfy all claims whatsoever against the United States of America or its nationals in relation thereto.

ARTICLE IV

The Government of the United Mexican States recognizes the validity of the private titles derived from the State of Texas to the lands in any small tract southerly from the present channel of the Rio Grande within the terminal points mentioned in the second paragraph of Article I of the present Convention and between the said present channel and the abandoned channel of 1901, designated as "B" on map Number 1, mentioned in Article I of the present Convention, and also the validity of such titles to lands located in the artificial bar known as El Horcon, designated "C" on map Number 2.

ARTICLE V

The Government of the United States of America recognizes the validity of the titles derived from the Government of the United Mexican States in the so-called Cordova Tract, being the tract bounded westerly, northerly and easterly by the abandoned channel of the Rio Grande of 1901 and southerly by the present channel of the Rio Grande, and designated "A" on map Number 1.

ARTICLE VI

The present Convention shall be ratified by the High Contracting Parties in accordance with their respective constitutions. The ratifications of this Convention shall be exchanged in as soon as practicable, and it shall take effect on the date of the exchange of the ratifications.

In witness whereof, the respective Plenipotentiaries have signed this Convention and have hereunto affixed their seals.

Done in duplicate in, this day of
., 1921.

711.1215/582

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

No. 23

WASHINGTON, November 8, 1924.

SIR: The Department refers to previous correspondence concerning the desired settlement of the longstanding Chamizal case and particularly to its instruction No. 68 of May 9, 1924, in which the Embassy was directed to endeavor to bring about an adjustment of this matter either through an unconditional relinquishment by Mexico of her claims on the tract, or if this could not be brought about, by the conclusion of a convention providing for an adjustment of this difficulty, as well as for bringing the so-called Cordova tract into the jurisdiction of the United States. The Department also refers to its instruction No. 136 of June 28, 1924,⁷² wherein the Embassy was requested to express an opinion as to the advisability of taking up at the same time with the general negotiations regarding the Chamizal case the questions of the construction of a controlling river channel in the Rio Grande and the fixing of the international boundary line in the center of that channel, and to the Embassy's reply, No. 8708, of July 29, 1924,⁷² in which the opinion was expressed that so far from hindering the satisfactory development of the negotiations in the Chamizal case, the suggestions regarding the construction of a controlling river channel and the fixing of the international boundary line in the center of that channel would facilitate a settlement of the Chamizal controversy by reason of the additional guarantee such channel works would offer of the permanency of the boundary.

The Department believes that the time is now opportune to endeavor to arrange with the Mexican Government for the conclusion of a convention dealing with all of the questions mentioned and therefore encloses copies of draft articles to be inserted in the draft convention enclosed with the Department's instruction of May 9, 1924. The articles now enclosed would precede the final article VI as set forth in that draft convention and be numbered, respectively, VI, VII and VIII, leaving the final article in the convention as set forth in the draft mentioned to be numbered Article IX.

The Department desires that the Embassy shall use its best efforts to bring the negotiations for the conclusion of this convention to a successful termination at the earliest possible date and considers that

⁷² Not printed.

it is highly desirable that this be brought about prior to the sessions of the General Claims Commission to which claims will be presented for the determination of the Commission. It is the Department's understanding that these sessions will be held beginning March 23, 1925.

The map referred to in draft Articles VI and VII is enclosed, and a duplicate of this map will be sent you at a later date.

I am [etc.]

CHARLES E. HUGHES

[Enclosure]

Additional Articles for the Draft Convention

ARTICLE VI

Whereas, the International Boundary Commission has recommended to the Governments of the United States and Mexico that the artificial cut-offs marked A-B, C-D, and E-F, on a map hereto annexed (Map Number 3)⁷³ be made for the protection of both banks of the El Paso Valley against floods, and the two Governments have respectively approved this recommendation, the High Contracting Parties agree that after said cut-offs have been made, the International Boundary Line shall follow the center of the normal channel of the Rio Grande as it runs through said artificial cut-offs as shown on said map. This boundary line is understood to be arcefinious and is substantially as shown by the broken red lines on Map Number 3 hereto annexed and signed in duplicate by the two plenipotentiaries.

ARTICLE VII

The principle involved in the foregoing Article may be applied by the International Boundary Commission in authorizing artificial cut-offs and eliminating the small tracts of land thereby separated from the country having sovereignty thereover, to the remaining portion of the Rio Grande where it forms the International Boundary Line between the point marked F on Map Number 3 and Fort Quitman, subject to the approval of the respective Governments in each case as provided in Article 8 of the Convention of 1889 creating the International Boundary Commission, and provided in accordance with the principle laid down in Article 2 of the Convention for the Elimination of the Bancos in the Rio Grande that no tract artificially separated and eliminated shall exceed 250 hectares in area or have a population of over 200 souls.

⁷³ Not reproduced.

ARTICLE VIII

The provisions of Article 4 of the Convention of 1905 for the Elimination of the Bancos shall apply for the protection of the personal and property rights of all persons residing on or owning property in the small tracts cut off and eliminated under the provisions of Articles VI and VII hereof.

711.1215/609 : Telegram

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

[Paraphrase]

MEXICO, *February 19, 1925—3 p. m.*

[Received February 20—2:35 a. m.]

48. The Counselor of Embassy and I discussed the Chamizal case with the Foreign Minister today. I pointed out that the principles which governed the operations of the International Boundary Commission respecting the elimination of bancos in the Rio Grande River were not clear enough to enable that Commission to function in accordance with the suggestion of the Mexican Commissioner until the attitude of the Mexican Government towards relinquishment of its claim to the Chamizal tract and its views on matters of treaty construction pertaining thereto were defined. The Foreign Minister said that his Government did not relinquish its claim on two grounds: (1) the arbitration of 1911 was in favor of Mexico; (2) the Government of the United States by its representations through me gave evidence that it considered the matter a controversial one. However, the Foreign Minister assured me that his Government was very anxious to receive suggestions from us looking towards a settlement of this controversy which was long standing and which Mexico had not taken up in the first instance because of the award in 1911 favorable to Mexico, the revolutionary period in Mexico, and the subsequent nonrecognition of Mexico by us. Relations were now cordial and friendly, he said, and he thought the time was most propitious for undertaking the negotiations. He promised that when I submitted the Department's proposals he would immediately expedite their consideration with a view to effecting an early settlement of the controversy.

In view of this I am sending a formal note to the Foreign Minister with a copy of the draft convention including the articles which relate to the construction of a controlled river channel.

I am assured that his Government also desires to conclude the convention as quickly as possible because of the effect here and abroad. I shall press the negotiations earnestly.

SHEFFIELD

711.1215/618

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

[Extract]

No. 562

MEXICO, April 30, 1925.

[Received May 9.]

SIR: Confirming my telegram No. 88 of April 30, 1925, 3 P. M.,⁷⁴ I have the honor to enclose herewith a copy with translation of a note from the Mexican Secretary of Foreign Relations in reply to my note of February 19, last, with which I transmitted a copy of the draft convention for the settlement of the Chamizal case.

I have [etc.]

JAMES R. SHEFFIELD

[Enclosure—Translation ⁷⁵]*The Mexican Minister for Foreign Affairs (Sáenz) to the American Ambassador (Sheffield)*

MEXICO, April 27, 1925.

MR. AMBASSADOR: I have the honor to refer to Your Excellency's courteous note No. 306 of February 19, last, in which incidentally there is discussed the matter of the Chamizal and principally the fixing of the international boundary line in the vicinity of the City of El Paso.

Your Excellency first states that although the Government of the United States will instruct the American Commissioner on the International Boundary Commission to carry out, together with the Mexican Commissioner, the surveys of the bancos which the latter suggested, it cannot, however, instruct him to decide pending cases and eliminate the bancos concerned until the Chamizal case has been disposed of and the treaty construction connected therewith settled in such a manner as to allow the Commission usefully to function in this respect. With respect to this, I on my part state to Your Excellency that the Mexican Government believes that the Chamizal case and the case of the elimination of the newly formed bancos are distinct matters and, therefore, must be treated separately. It likewise believes that the action postponing the elimination of these bancos signifies on the part of the Government of the United States a disregard, or at least an unacceptable suspension of conventions fully in force and regarding the application and interpretation of which there is not the least doubt. Therefore, my Government desires that the Commission commence immediately the necessary work for

⁷⁴ Not printed.⁷⁵ File translation revised.

the elimination of the bancos, which would be to the advantage of both countries.

With particular reference to the Chamizal case, Your Excellency states that upon the understanding that the Mexican Government is not disposed unconditionally to abandon its claim in the Chamizal case, the American Government proposes an agreement, a draft of which you enclose and which, principally, as I said above, has for its object the rectification of the boundary between both countries in the vicinity of El Paso.

Mexico certainly cannot abandon its rights to a territory which it believes was fundamentally its from the beginning, and which was awarded to it in part by an arbitral decision which it considers perfectly valid; but, nevertheless, as it has already stated on several occasions to the Government of the United States, it has the highest desire to reach a practical solution in this case, provided one can be reached on the basis of equity which will not injure Mexican sovereignty in any way.

Your Excellency states that you have received instructions to renew the negotiations for such a solution, taking them up at the point where they were interrupted in the year 1913, and upon this understanding you present the draft convention mentioned above.

Your Excellency calls attention to the fact that this draft embodies the fundamental ideas of the memorandum, which, it is said, was presented by the Mexican Embassy at Washington to the Department of State on January 27, 1913, but adds that these fundamental ideas are modified in accordance with what was proposed by the Department on the 3rd day of March of the same year 1913. In this connection I must make clear to Your Excellency that the Mexican Embassy at Washington did not formally present to the Department of State any memorandum dated January 27, 1913. Your Excellency cannot be unaware that about the end of the year 1912 the then Ambassador of Mexico, Señor Don Manuel Calero, had conversations on this subject with the Department of State and especially with the Secretary of State, Mr. Knox, and with the Counselor, Mr. Chandler Anderson, with the result that Mr. Anderson agreed to submit to the Ambassador certain propositions upon which the terms of the agreement would be worked out. At the end of the same year of 1912 Señor Calero left the United States to return to Mexico, and during those same days the then Minister for Foreign Affairs, Señor Lic. Don Pedro Lascuráin, availing himself of his trip to New York, went to Washington where he conferred with Mr. Knox regarding the Chamizal. Nothing definite came of this beyond a promise by Señor Lascuráin (who was ignorant, as he repeatedly declared, of the details of the conferences which Señor Calero had with the Department

of State) to present a proposition for the settlement of the matter. On his return to Mexico Señor Lascuráin familiarized himself in detail with the negotiations which had been carried on, and, as a result he instructed the Mexican Chargé d'Affaires, Señor Lic. Arturo de la Cueva, to speak personally with Mr. Knox regarding the propositions which Mr. Anderson was to submit as above mentioned. Señor de la Cueva in compliance with his instructions, sought an appointment with Mr. Knox to deliver to him a memorandum on the matter. He did not speak with Mr. Knox, but with the Counselor, Mr. Anderson, who told him that in order that the conference with Mr. Knox might be successful he must inform him (Mr. Anderson) in advance how he desired to treat the Chamizal matter. Señor de la Cueva replied that he had a memorandum to present to Mr. Knox and that he would not deliver it except to Mr. Knox personally; but as he had with him a paper on which he had written certain propositions regarding which Mr. Knox and he were to converse, he was going to read it to him (Mr. Anderson), which he did. He finally left this paper with Mr. Anderson who agreed to speak with Mr. Knox and to make a formal appointment for him in order that he might comply with the instructions of the Mexican Government. The conference with Mr. Knox did not take place, because Señor de la Cueva left Washington and because, as Your Excellency knows, during the first days of February 1913, the anti-Madero revolution broke out.

The paper which Señor de la Cueva informally delivered to Mr. Anderson, contained only the propositions which Mr. Anderson had agreed to submit to Señor Calero for their discussion, as above stated, and, therefore, it cannot be considered either as an official document of the Mexican Embassy or, much less, as implying that Mexico was in agreement with the propositions emanating from the Department of State.

It is probably to this paper or document that Your Excellency refers in alluding to the memorandum presented on January 27, 1913, by the Mexican Embassy, proposing that the negotiations be renewed from that point with the modifications which were proposed by the United States on March 3, 1913. Mexico cannot, in spite of its great desire to end the Chamizal case, renew the negotiations from that point, since it cannot consider as accepted the propositions made in the document informally delivered by Señor de la Cueva and which was published by the Government of the United States in the volume entitled *Foreign Relations of the United States*, 1913, on page 971, which publication was made without the consent of the Mexican Government. Neither can Mexico take into account the propositions made by the Department of State on March 3, 1913, to a spurious government and one which was never recognized by the United States itself.

Therefore, Mexico would propose in the highest spirit of friendship for the United States that the negotiations be renewed from a date prior to January 27, 1913, and, more precisely, from the point where Mr. Chandler Anderson agreed to submit to the Mexican Ambassador a proposition as a basis for discussion.

Since the present nature of the relations of Mexico with the United States is that of a perfect understanding and that of a friendship which does not exclude but rather demands absolute frankness on the part of the two Governments, I consider myself obliged to notify Your Excellency in advance that the Mexican Government would not be disposed to consider any proposal which contained the first proposition which is made in the document published by the American Government in its volume *Foreign Relations of the United States*, 1913, page 971, where it is printed erroneously as an official Mexican document. In fact, Mexico has believed and continues to believe that the award of the arbitral tribunal in the Chamizal case is perfectly valid and binding on both Governments. The well-founded claims which Mexico had to a part of the Chamizal prior to the award were strengthened by the terms of the award, and it does not see why it should abandon the advantageous position given it by this award when to abandon it would have so disastrous an effect upon Mexican public opinion and make it impossible to carry out any arrangement of a practical nature for settling the question.

My Government desires at once to assure Your Excellency's Government that Mexico, although it gives every validity to the award, is disposed to enter into an agreement because it understands that the carrying out of the award would be materially impracticable, or at least very difficult, because it would perhaps be necessary, in order to fix the line followed by the Rio Grande in 1869, to destroy the very thing claimed, which is part of the City of El Paso built upon the land of the Chamizal. But aside from this, and inasmuch as the two Governments wish to reach a practical solution of the question and one which will remove the Chamizal case from the realm of controversy, my Government insists that the best beginning would be not to touch upon principles but to seek a practical arrangement. Let me explain :

The Government of the United States cannot be unaware that the difficulty on the part of Mexico definitely to settle this matter of the Chamizal, notwithstanding the many years it has been discussed, is that it deals with a portion of our territory, and affects our national sovereignty. Mexican public opinion has always been very jealous with respect to this, and it can scarcely be expected that by conducting a campaign to enlighten it and demonstrating that that sovereignty is not at all affected, that an arrangement could be

reached whereby the two nations renounce the same rights and exchange identical things. This difficulty of controlling public opinion is accentuated all the more, since the rights of Mexico have been confirmed by an arbitration legal in every way.

From the foregoing statement Your Excellency's Government will understand that this question cannot be settled by denying the validity of the award; and in reality a statement in a convention reciting that each of the High Contracting Parties persists in its attitude as to the validity of the arbitral award would mean nothing else, for after all even though Mexico should state that the award is valid, it would not be carried out, and thus the point of view of the United States would prevail.

In addition to the fact that the recognition of the validity of the award would make it possible for the two Governments to enter into a practical arrangement in the matter, such a course would have the advantage, not to be depreciated, of affirming throughout the world, and especially in America, confidence in arbitration. My Government does not pretend, of course, to judge what is, or is not, convenient for the United States; but it ventures to presume that the position of this great nation in the world, with regard to peaceful solution of international conflicts, would be rendered preeminent by respecting the award and that, on the contrary, the nonacceptance of it would lessen confidence in the nation which has been such a constant and effective champion of arbitral procedure.

For these reasons my Government cannot enter into a consideration of the draft convention which was submitted to it by the Department of State through Your Excellency, since it is necessary to reach an agreement on the essential points of the draft before entering upon an examination of the details.

If the foregoing views should not be acceptable—a situation which Mexico does not expect in view of the good relations it maintains with the United States and the good faith of Your Excellency's Government—I would call Your Excellency's attention to the following:

The controversy between Mexico and the United States over the Chamizal has changed. Now the question to be decided is whether the award is valid, as Mexico maintains, or is null, as the United States maintains. Since the United States maintains that it is null and presents a draft convention regarding the boundary, which Mexico must reject, the United States does not surrender any of the rights it believes it possesses. On the other hand, if Mexico accepted the said convention, it would surrender all its rights to the Chamizal, would admit that it had maintained them without cause and would leave the award without effect thereby inexplicably changing its attitude.

When an arbitral award can be challenged on any of the known grounds determined by international law, the recourse is for the interested governments to submit the award to a court of review created *ad hoc*. In order, therefore, to settle the present difficulty, as stated—supposing that the foregoing views are not acceptable—Mexico makes the following proposition:

1. That Mexico and the United States designate the Hague Tribunal to decide solely on the evidence before the arbitral tribunal of the Chamizal case up to the time of its award, whether the award is valid or not.

2. If the Hague Tribunal should decide that the award is valid, Mexico will not demand that it be carried out, since it recognizes beforehand the great difficulty in doing so; but it shall receive a just and equitable compensation from the United States, on the principle that the two nations relinquish the same rights and exchange equivalent things.

I am [etc.]

AARÓN SÁENZ

711.12155/131

*The American Commissioner, International Boundary Commission,
United States and Mexico (Curry) to the Secretary of State*

EL PASO, June 26, 1925.

[Received July 1.]

SIR: Enclosed find copy of Minute No. 61 of a meeting held at the offices of the Mexican Section, Juarez, Chih., at ten A. M., June 23, 1925, for the purpose of taking final action on the petition of the City and County of El Paso, Texas, presented through their attorney, Major Richard F. Burges.

After a careful review of the report of Engineers L. M. Lawson, representing the United States and Salvador Arroyo, representing the Republic of Mexico, together with the report of the Consulting Engineers of this Commission, it was decided that these proposed cuts in the Rio Grande which extend from the cities of Juarez, Mexico and El Paso, Texas, for about eight miles down the river will have the effect of protecting the cities of El Paso and Juarez and valuable farming land from flood menace.

The plans of the engineers representing the two Governments, in which our Commission heartily concurs in provides for a continuation of the work of straightening the river, building levees, et cetera, through the entire El Paso valley, which on the American side is composed of the counties of El Paso and Hudspeth, and on the south side, the municipalities of Juarez, Guadalupe, Porvenir and San Ignacio.

The expenses incurred in this work on the American side will be paid by the city and county of El Paso, and on the Mexican side by agencies of the Federal Government as their local municipalities are unable to bear the burden incurred by the proposed river cuts and levee system.

The Consulting Engineers of our Commission state that the bed of the Rio Grande has risen so high that unless there is some immediate measures taken there is great danger of a disastrous flood which will do great damage to a part of the cities of El Paso and Juarez and to the farmers below the two cities.

In view of all the circumstances I earnestly request that you approve our recommendations authorizing the proposed cuts in the Rio Grande, with the understanding that the expenses incurred so far as the United States is concerned will be paid by the city and county of El Paso, and that the proposed cuts shall be made under the supervision of our Commission through our respective Consulting Engineers.

I am [etc.]

GEORGE CURRY

[Enclosure]

Minute No. 61 of a Meeting of the International Boundary Commission, United States and Mexico, June 23, 1925

Meeting called for June ninth, nineteen hundred and twenty-five, as set forth in Minute number fifty-nine having been postponed, was held by the Joint Commission at the offices of the Mexican Section at ten A. M., June twenty-third, nineteen hundred and twenty-five. The object of the meeting was to receive the written statement presented to the Commission by Mr. Richard F. Burges, representing the City and County of El Paso, Texas, and Hudspeth County Conservation and Reclamation District No. 1, in regard to the proposed flood control works in the Upper Section of the Valley of El Paso as presented by Engineers L. M. Lawson and Salvador Arroyo; also to render a resolution on the aforesaid project. Written statement was read and

WHEREAS, Mr. L. M. LAWSON, representing the Government of the United States of América, and Mr. Salvador Arroyo, representing the Government of the Republic of Mexico, have formulated and presented to the International Boundary Commission, certain plans dated April 25, 1925, looking to the rectification of the channel of the Rio Grande in the Valley immediately below the cities of El Paso, Texas, and Juárez, Chihuahua, looking to the elimination of the flood menace caused by the silting up of the bed of the river;

WHEREAS, the said report has been referred to the Consulting Engineers of the International Boundary Commission who have approved the same, with certain recommendations concerning the acquisition of title to areas to be cut off from one bank to the other of the river and also with recommendations as to the maintenance of the proposed works;

WHEREAS, certain levees have been constructed at the expense of national and local governmental agencies, and the extension and completion of such works in that portion of the river covered by the report of Messrs. Lawson and Arroyo could be speedily effected by carrying out the recommendations of the said report.

WHEREAS, the rectification of the channel of the Rio Grande and the corresponding defense works, as proposed by Engineers Lawson and Arroyo, will not cause damages to either bank of the river and on the contrary, they will directly produce immediate benefits, bettering seepage, public health, etc. and

WHEREAS, that said works are intended to stabilize the River avoiding gradual or sudden changes of the boundary line at this region;

The Joint Commission Resolved: That the recommendations concerning the rectification of the Río Grande Channel and the construction of necessary structures covered by the reports of Engineers Lawson and Arroyo and of the Consulting Engineers are hereby approved, and recommendations are made to the Governments of Mexico and the United States to permit the execution of these works, and that the Engineers for flood control works, representing the Governments of Mexico and the United States be in charge of the general direction of said works under the direct supervision of the International Boundary Commission through its Consulting Engineers. It is absolutely necessary that works be carried out simultaneously at both banks of the river, otherwise serious consequences might be expected from performing works partially. It is also necessary that these works be considered as the first part of the general project for flood control works in the Rio Grande between El Paso and Fort Quitman, Texas, and that once the works are under progress they will continue until full development of the project is reached.

The Governments of Mexico and the United States will determine what agencies will carry out the works; the manner and date of their execution, how the corresponding expenditures will be made, and the resulting works maintained. Recommendations are hereby made to both Governments, that acquisition of rights-of-way and portions of land passing from one bank of the river to another be

made by the agencies authorized to carry out the work. Parcels of land segregated from one side to another must be marked by monuments by the International Boundary Commission, and their jurisdiction will continue to be the same they had before their segregation, until the Governments of Mexico and the United States resolve otherwise. Attention of the Department of State of the U. S. A., and the Department of Foreign Relations of Mexico be called on the future convenience of changing the jurisdiction of the small portions of land segregated from either country, as a result of the rectification of the river channel.

Meeting then adjourned subject to call of either Commissioner.

GEORGE CURRY

American Commissioner

J. HARRIE CLOONAN

American Secretary

GUSTAVO P. SERRANO

Mexican Commissioner

JOSÉ HERNÁNDEZ OJEDA

Mexican Secretary

711.12155/145 : Telegram

The Secretary of State to the Chargé in Mexico (Sheffield)

WASHINGTON, August 11, 1925—3 p. m.

176. By Minute No. 61, recently adopted, the International Boundary Commission, United States and Mexico, recommended three cut-offs in the Rio Grande in and near El Paso, the result of which, if made, would, according to the accompanying reports of consulting engineers on the Commission, obviate the danger of floods in that section and in a considerable section below.

Since the adoption of that minute, a flood has occurred and is understood to be raging now, which has already caused much property loss on both sides of the River. Consequently, the recommendations would appear to merit immediate consideration with a view to their approval by both Governments, unless insuperable obstacles exist concerning which this Government is not informed.

The Department is advised that the proposed cut-offs would segregate but very small areas of land and believes that the question of sovereignty over these areas could well be held in abeyance for the present in view of the large interests which are menaced by floods.

It is therefore desired that you bring this matter urgently to the attention of the Mexican Government and say that it is hoped that Government will see its way clear to making a prompt decision in favor of approving the Commission's recommendations.

KELLOGG

711.12155/150 : Telegram

The Chargé in Mexico (Schoenfeld) to the Secretary of State

MEXICO, August 13, 1925—9 a. m.

[Received 7:33 p. m.]

154. I personally delivered to Minister of Foreign Affairs last evening note in sense of your telegram 176 August 11, 3 p. m. He said that Mexican members International Boundary Commission had already reported recent minute regarding construction of cut-offs but that Mexican Government had been unable to approve proposal because of pendency of Chamizal negotiations involving similar questions and because of existing embarrassments in exercising Mexican sovereignty in Cordova tract which was in a situation similar to that which would prevail upon completion of proposed cut-offs. I asked the Minister to reconsider the matter with practical regard to property damage done by floods leaving theoretical questions for the future, but he seemed insistent that proposed cut-offs must await settlement of general Rio Grande problem. He promised however to take my note under earnest advisement and to reply as soon as possible.

SCHOENFELD

711.12155/150 : Telegram

The Acting Secretary of State to the Chargé in Mexico (Schoenfeld)

WASHINGTON, August 17, 1925—6 p. m.

183. Your 154, August 13, 9 a. m. In view of reported attitude of Minister of Foreign Affairs Department desires you in your discretion either to bring matter to personal attention of President or to request Foreign Minister to take such action. Emphasis should be placed upon recent losses on both sides of border due to floods and upon urgent necessity for contemplated works to prevent recurrence such damages.

GREW

711.12155/156

The Chargé in Mexico (Schoenfeld) to the Secretary of State

No. 983

MEXICO, August 19, 1925.

[Received August 27.]

SIR: Confirming my telegram No. 160 of to-day's date one P. M.,⁷⁶ in further relation to the proposal of the International Boundary Commission for the construction of certain cut-offs in the Rio Grande,

⁷⁶ Not printed.

near El Paso, Texas, I have the honor herewith to enclose a copy with translation of a note under yesterday's date received from the Mexican Secretary of Foreign Relations in reply to my note of August 12 in the sense of your telegram No. 176 of August 11, three P. M.

I have [etc.]

H. F. ARTHUR SCHOENFELD

[Enclosure—Translation ⁷⁷]

The Mexican Minister for Foreign Affairs (Sáenz) to the American Chargé (Schoenfeld)

No. 11089

MEXICO, August 18, 1925.

MR. CHARGÉ D'AFFAIRES: I have the honor to refer to the Embassy's note No. 720 of the 12th instant in which, by instruction of your Government, you were good enough to inform me that by Minute No. 61 our International Boundary Commission recommended the construction of three cut-offs in the Rio Grande near the City of El Paso, Texas, the result of which would be according to the accompanying report of the consulting engineers on the International Boundary Commission, as stated in the note, to obviate the danger of floods in that section and in another considerably below the point mentioned.

The recommendations contained in Minute No. 61 were duly studied as provided by article 8 of the convention of March 1, 1889, and within one month, as stipulated in article 8, our decision in the matter was drawn up and sent to our Embassy in Washington for transmission to the Department of State.

In this decision, which decision must already be known by the Department of State, according to instructions to our Ambassador in Washington, it is stated:

1. That there was authorized and approved the study of the project of defense works and rectification in the El Paso valley, in cooperation with American engineers, it being recommended at the same time that the cases of bancos in this zone of the Rio Grande should be presented to the Joint Commission before the project in question.

2. That, although it is true that the topographical work necessary to settle pending cases in the El Paso valley has already been done, this decision can not be carried out.

3. That the Mexican Government believes that consent should not be given to making any cut-off unless at the same time and before the work is carried out there be settled the question of sovereignty over the segregated territory. In the present cases this question of sovereignty would have to be settled, a thing which the Mexican Government would not desire to do before other questions of the same character are settled which have been pending for a number of

⁷⁷ File translation revised.

years, principally for reasons attributable to the Government of the United States.

4. That the cut-offs in question were recently proposed by the Government of the United States in a draft convention for the settlement of the Chamizal case and for the better definition of the international boundary at certain points along the Rio Grande, presented to the Government of Mexico in its note of February 19, last. This draft convention was rejected in its totality by the Mexican Government and it could therefore not now consent that a part thereof should be carried out.

5. The Government of the United States has desired to connect the cases above referred to with the pending Chamizal case and in its turn Mexico does not want to create new difficulties until that relative to the Chamizal is settled.

As you will see, it was only the desire to avoid the creation of new difficulties before the settlement of pending cases and the reaching of an agreement by the two Governments in the matter which was the motive for postponing the carrying out of the recommendations of the International Boundary Commission contained in Minute No. 61, to the end that, after the question of the interpretation of the treaties which the said cases involve [apparent omission], without failing to recognize the advisability of carrying out all the proposed works.

Before reaching the decision mentioned, based on the reasons set forth, the urgency which might exist in immediately undertaking the proposed cut-offs was taken into consideration, and the reports of the engineers charged with the project and of the consulting engineers of the International Boundary Commission were carefully studied, and from that point of view it was found that in the unanimous opinion of all of them the cut-offs proposed and recommended by the International Boundary Commission in Minute No. 61 are not, according to the report of the consulting engineers relative to the matter, anything more than the "first stage" in the general project, the construction of which is to be recommended in view of the fact that the modifications of relatively slight importance which they would produce in the hydraulic equilibrium of the river permit their initiation in the upper region of the valley and not in the lower as would be logically convenient; and it was found that considering the higher value of property in the neighborhood of the cities of El Paso and Juárez and in view of certain considerations of a financial character which make it possible to perform the work immediately, their construction is recommended without, however, it failing to be indispensable to continue the construction of the works in the whole valley.

The foregoing views and the technical development of the project having been studied, it is easy to arrive at the conviction that, what

in the opinion of the experts will settle the problem of saving the lands in the valley of El Paso from floods, will be the completion of the project in its entirety and not that of its "first stage"; that if for financial or other reasons it is not possible immediately to carry out the project in its entirety or in the form in which it would be logically convenient to do so, whereby in the opinion of the technical experts the danger would be averted, the construction of the first part proposed for the benefit of those interested in the first portion could be recommended; but if the project is studied even more in detail and attention is paid to the fact that in order to carry it out it is essential to construct levees provided with rip-raps and with structures forming the artificial channel for the maximum discharge of floods and the fact that the probable floods at this season will surely render difficult, if they do not entirely prevent, the construction of these structures, especially in the detail recommended by the consulting engineers, one will arrive at the conviction that the construction ought to be commenced after the present flood season and that, consequently, there is no reason to hasten it in disregard of considerations of real importance which would tend to postpone it.

I hope that the Government of the United States of America will be good enough to appreciate the true importance and value of the reasons on which was based the decision relative to this matter and will agree to the justice which supports it.

It is very satisfactory to me to renew to you the assurances of my most courteous consideration.

AARÓN SÁENZ

711.12155/145 : Telegram

The Secretary of State to the Chargé in Mexico (Schoenfeld)

WASHINGTON, October 26, 1925—3 p. m.

231. Department's 176, August 11, 3 P. M. and 183, August 17, 6 P. M. and your despatch 983, August 19, regarding flood conditions at El Paso.

Officials of El Paso and Juarez are reported to be anxious that rectification of Rio Grande be commenced as soon as possible, because they fear next flood season will be even more disastrous than last one to residents on both sides of River. American Boundary Commissioner reports that general opinion prevails along border that recent flood damage exceeding half-million dollars could have been prevented if River had been straightened as proposed in Minute 61. Commissioner further states that if rectification should be undertaken, interests of respective Governments could be adequately safeguarded by

adoption of every necessary precaution by International Boundary Commission. In view of importance of matter and many interests involved as indicated in data furnished you by Department on 5th instant, it is desired that you again approach the Mexican Government with a view to obtaining its approval of Minute 61, pointing out that the present would seem to be an opportune time to commence the proposed work.

KELLOGG

711.12155/173

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

No. 1362

MEXICO, November 16, 1925.

[Received November 23.]

SIR: Referring to the Department's telegram No. 231, dated October 26, 1925, 3 P. M., directing me to again approach the Mexican Government with a view to obtaining its approval of Minute No. 61 of the International Boundary Commission United States and Mexico, regarding the proposed construction of certain cut-offs in the Rio Grande, I have the honor herewith to enclose for the Department's information, a copy with translation of a note dated November 13, from the Mexican Secretary of Foreign Relations, in reply to my note of October 27, in the sense of the Department's instruction.

The Department will observe that the Mexican Government is not prepared to sanction the immediate execution of the work proposed and stands substantially upon the note of August 18, last, which was transmitted to the Department with the Embassy's despatch No. 983, of August 19, 1925.

I have [etc.]

JAMES R. SHEFFIELD

[Enclosure—Translation ⁷⁸]

The Mexican Minister for Foreign Affairs (Sáenz) to the American Ambassador (Sheffield)

No. 14763

MEXICO, November 13, 1925.

MR. AMBASSADOR: I have the honor to reply to Your Excellency's courteous note No. 867, of October 27, last, in which, referring to the recommendations of the International Boundary Commission contained in Minute No. 61 regarding the construction of certain cut-offs in the channel of the Rio Grande, near the City of El Paso, Texas, you state that the officials on both sides desire that the proposed work be

⁷⁸ File translation revised.

commenced as soon as possible, in order to avoid the danger of inundation in the next flood season.

Your Excellency states that your Government knows from a report of the American Boundary Commissioner that the opinion prevails pretty generally along the border that the damage occasioned by the last flood might have been avoided if the channel had been straightened in accordance with recommendations contained in Minute No. 61 and that the said Commissioner also was of the opinion that the works in question could be undertaken while safeguarding the rights of both countries through the adoption of adequate precaution by the International Boundary Commission.

With regard to the efficacy of the proposed works in order to avoid floods, I must inform Your Excellency, insisting upon what was stated in my note of August 18, last, regarding this same matter, that it is the unanimous opinion, both of the experts who planned the works as well as of those charged with passing judgment on the project: (1) that what will avoid the risk of floods will be the construction of works throughout the whole extension of the El Paso valley and not in one isolated section; (2) that these works, in order that they may have an assured result and not produce, down-stream, greater evils than those it is proposed to avoid, must be started in the lower extremity of the valley and continued up-stream; (3) that their construction at once would only be technically permissible because the changes which the cut-offs at first proposed would produce in the control of the river are of slight importance. Moreover, upon examination of the project presented, it is seen that it is not exclusively the cut-offs which are proposed to avoid floods but the levees (*bordos*) which it would surely not have been possible to construct in a good condition of stability within the season of torrential rains prevailing between the date of Minute No. 61 and that of the floods. If, moreover, it is borne in mind that the proposed works were calculated to hold a maximum flood discharge of 12,000 cubic feet per second, and that the flood which took place on September 1, last, registered 13,500 cubic feet per second, it will necessarily be deduced that even upon the completion of the works the flood would have taken place on account of their insufficient capacity and that, consequently, the general opinion prevailing on the border, referred to by the American Boundary Commissioner, has no foundation.

With respect to safeguarding the rights of both nations by adequate precaution on the part of the International Boundary Commission, I must inform Your Excellency that it is precisely the proposals regarding sovereignty over the portions of land segregated by the cut-offs and the various bancos formed at the very site of the cut-offs which I have considered to be the precautions or, rather, decisions of

the International Boundary Commission necessary as a prerequisite so that, by orderly procedure, the cut-offs may be authorized. It is solely the desire to avoid the development of new complications in addition to those already existing which has impelled my Government to proceed in the manner in which it has proceeded, it being very far from its purpose to prevent the construction of works which it considers and always has considered of the greatest urgency and utility, especially if the study and its realization is extended so as to secure the defense of the entire El Paso valley and not exclusively of the small part now in question.

In summary, taking into consideration that the repetition of floods will not be imminent until the last third of next year and that less than a year would be employed for completing the proposed works and agreeing upon the previous proposals above referred to, I beg leave once more to insist, in accordance with the contents of my note No. 11089 of August 18, last, that the cases which I have referred to in that note, and in the present note, should be considered and settled by the International Boundary Commission before proceeding to the construction of the proposed cut-offs.

The time employed in this preliminary work would not be lost in the carrying out of the project, since the volume of the last flood demonstrated the insufficient capacity of the proposed works and that, consequently, the project will have to be revised by increasing its capacity. Likewise, there can be studied during this time the complete project of defense works in the entire El Paso valley.

I hope Your Excellency's Government will be pleased to agree to the possibility and justice of meeting the conditions required by my Government within the time now at our disposal.

Please accept [etc.]

AARÓN SÁENZ

**REMOVAL BY THE UNITED STATES OF ITS COALING STATION IN
PICHILINGUE BAY AT THE REQUEST OF THE GOVERNMENT OF
MEXICO**

811.34512/68

The Mexican Ambassador (Téllez) to the Secretary of State

[Translation ⁷⁹]

WASHINGTON, *October 15, 1924.*

MR. SECRETARY: Your Excellency knows that since 1861 there has been in Pichilingue Bay, La Paz, Lower California, a coaling station maintained by Your Excellency's Government and where the United States ships coal.

⁷⁹ File translation revised.

Your Excellency's Government is aware that the station was not established in accordance with the laws of Mexico then in force, but only by a permit which Your Excellency's Government secured from the Jefe Político of Lower California, which permit that authority had no power to grant under the Constitution of 1857. In 1867, this permit was confirmed, also without any legal authority, by Señor Don Sebastián Lerdo de Tejada, then Minister for Foreign Affairs, but in doing so he remarked that the present situation was permitted only because of the good relations existing between Mexico and the United States.

Subsequently, in May 1900, during the administration of General Porfirio Díaz, in the same illegal manner, the permit was again extended, but the point was emphasized both in the agreement which was made on the subject and in the note which was sent to Your Excellency's Government that the permit was unilateral, that is, it was entirely an act of good will on the part of Mexico and could, therefore, be revoked at any time. In other words, the United States has only a precarious title to this station, and for that very reason the permit may be revoked at any time. That must be the understanding of Your Excellency's Government.

The present Mexican Constitution, like that of 1857, does not permit establishments of foreign governments such as the coaling station in Pichilingue in the national territory, as these very stations afford occasion for placing in charge persons in the service of the departments of those governments and for permitting foreign war vessels freely to enter and sail out of Mexican waters although they may be those of a friendly nation.

The government of President Obregón, in compliance with its obligations, has deemed the continuance of this situation to be irregular and illegal and has, therefore, instructed me to state, as I now have the honor to do, to Your Excellency's Government that Mexico feels it has no legal or moral power to continue this permission as it has been doing, and it requests Your Excellency's Government to remove within 6 months the coaling station now maintained in Pichilingue.

The Mexican Government trusts that the Government of the United States, and particularly Your Excellency, will appreciate the fact that this decision does not imply any unfriendly sentiment but that it is due solely to the fact that the continued existence of that station is incompatible with the fundamental laws of Mexico and with the honor of the Mexican Government which is under obligation to see that the laws are enforced.

It affords me [etc.]

MANUEL C. TÉLLEZ

811.34512/69

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

No. 82

WASHINGTON, December 11, 1924.

SIR: I have the honor to enclose a translation of a note dated October 15, 1924, from the Mexican Chargé d'Affaires at this capital,⁸⁰ concerning the coaling station which is now being maintained by the Navy Department in Pichilingue Bay, La Paz, Lower California, Mexico, and stating that the Mexican authorities feel that they have no legal power to permit the existence of the station at that place, and desire its removal within six months. There is also enclosed a copy of a letter dated November 28, 1924, from the Secretary of the Navy,⁸¹ informing me that the fuel depot in question will be permanently closed and relinquished in accordance with the wishes of the Mexican Government.

In this connection, I desire to inform you that prior to 1911 vessels of the Navy were occasionally permitted by the Mexican Government to visit Magdalena Bay for drills, target practice and other purposes, such permission being granted with the understanding "that the vessels do not fire in the direction of the coast, land armed forces, or establish camps ashore." For your further information, I beg to refer you to your Embassy's despatch No. 1528, of January 7, 1909, on the subject of Target Practice of the Pacific Fleet.⁸¹

No doubt it would be extremely useful to the fleet if similar privileges in those waters might be procured in the future, and you will note that the Secretary of the Navy, in his letter of the 28th ultimo, strongly urges that representations be made to the Mexican Government with that end in view.

Therefore, before revealing to the Mexican Government the decision of the Secretary of the Navy to accede to the request of the Mexican Government in the matter of the desired closing and relinquishment of the coaling station at Pichilingue Bay, it is desired that you discuss this matter with the Mexican authorities, intimating that it is receiving favorable consideration in compliance with expressed wishes and saying, in that connection, having in mind the contents of the letter from the Secretary of the Navy, above referred to, that the latter would deeply appreciate the renewal of the permission heretofore accorded for the fleet to operate from the waters of Magdalena Bay as an anchorage during periods for which diplomatic arrangements will be made beforehand in each case. You should point out that the privileges requested would seem to be in entire accord with customary usages between friendly nations.

⁸⁰ *Supra.*⁸¹ Not printed.

The result of your inquiries in this matter will be awaited with interest.

I am [etc.]

CHARLES E. HUGHES

811.34512/71

The Chargé in Mexico (Schoenfeld) to the Secretary of State

No. 275

MEXICO, January 26, 1925.

[Received February 4.]

SIR: Referring further to the Department's instruction No. 82 of December 11, 1924, in relation to the desire for renewal of the privilege formerly accorded by the Mexican Government to the United States Fleet to operate from the waters of Magdalena Bay during periods for which diplomatic arrangements would be made beforehand in each case, I have the honor now to report the receipt of a memorandum dated January 24, last, from the Mexican Department of Foreign Relations, of which a copy with translation is herewith enclosed.

I also enclose herewith a copy of the *aide-memoire* left by Ambassador Sheffield with the Secretary of Foreign Relations on December 27, last,⁸² in connection with his oral representations on this subject, as reported in his telegram No. 430 of December 31, 12 noon, 1924.⁸²

I have [etc.]

H. F. ARTHUR SCHOENFELD

[Enclosure—Memorandum—Translation ⁸³]

The Mexican Minister for Foreign Affairs (Sáenz) to the American Ambassador (Sheffield)

With reference to the *aide-mémoire* of December 27, last, it is stated that from 1903 to 1910, in view of the good relations between both countries, Mexico granted to the United States at its request permission for its naval vessels to hold maneuvers and target practice in Magdalena Bay and for its coaling ships to take up their station there. These facts caused the press of Mexico, as well as of the United States and of other countries, to publish news of a supposed cession of that bay by Mexico to the United States. Because of this fact an agreement was reached with the Department of State of the United States, and such news as had given rise to unacceptable comment was corrected. Upon the expiration of the last permission in 1910 Mr. P. C. Knox made the statement to the Ambassador of

⁸² Not printed.

⁸³ File translation revised.

Mexico that the United States did not intend to request further permission for the reason that in the future naval maneuvers and target practice would be held on the high seas.

In view of the foregoing reasons and especially of the distrust which this subject has raised whenever it is discussed, and considering, moreover, that the good harmony and understanding which happily exist between our two countries would be secured by avoiding a question regarding which, however unjustifiably, there exist such serious prejudices, Mexico would desire that the American Government should for the present maintain the same point of view set forth in 1910 by the Secretary of State, Mr. P. C. Knox, and should continue in its attitude of not requesting new permits for Magdalena Bay, since such a decision would avoid all comment.

The Government of Mexico desires to state to the Government of the United States, however, that if eventually its Navy Department should solicit, as an exception, a permit relative to the stationing of its fleet in Magdalena Bay for maneuvers and target practice, Mexico would be disposed, upon previous diplomatic negotiation in each case, to indicate the conditions under which it would grant such a permit in accordance with Mexican laws.

MEXICO, *January 24, 1925.*

811.34512/71

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

No. 187

WASHINGTON, *February 11, 1925.*

SIR: I am in receipt of your Embassy's confidential despatch No. 275 of January 26, 1925, transmitting copies of correspondence exchanged recently between the Embassy and the Mexican Foreign Office, in relation to the desire of the Navy Department for renewal of the privilege heretofore accorded to the American fleet to operate from the waters of Magdalena Bay as an anchorage during periods for which diplomatic arrangements will be made beforehand in each case. It is noted that the Mexican Government is disposed to grant the desired privileges and to indicate the conditions to be observed if eventually the Navy Department should wish to avail itself of the privileges in reference.

In reply you are informed that the information contained in the Mexican Note has been brought to the attention of the Secretary of the Navy.

It is desired that you now inform the Mexican Foreign Office in a formal Note that the appropriate branch of this Government has informed the Department of State that the fuel depot in Pichilingue

Bay will be permanently closed and relinquished in accordance with the wishes of the Mexican Government; and you will address a separate Note to the Foreign Office conveying your Government's appreciation of the Mexican Government's assurance that it will indicate the conditions to be observed if eventually the Navy Department should desire to avail itself of the privileges heretofore enjoyed on occasion.

I am [etc.]

CHARLES E. HUGHES

MOROCCO

REFUSAL BY THE UNITED STATES TO ACQUIESCE IN THE APPLICATION OF THE STATUTE OF TANGIER¹

881.00/1017a

The Secretary of State to the Chargé in Morocco (Rand)

No. 325

WASHINGTON, February 4, 1925.

SIR: Reference is made to the Department's instruction No. 322, of January 7, 1925,² which transmitted to you copy of a Note, dated December 20, 1924, sent by the Department to the French Ambassador³ in reply to his Note of October 31, 1924,⁴ concerning the question of the adhesion of the United States to the Tangier Convention.⁵

As yet no answer has been made by the French, British or Spanish Governments to the Department's Notes of December 20, 1924.⁶ Pending the receipt of satisfactory replies from these Governments and subsequent action thereon by this Government, the rights of the United States in the Tangier Zone are not to be regarded as modified by the application by the interested powers of the Statute of Tangier, which is understood to have gone into effect on December 1, 1924.

It is the understanding of the Department that the application of the Statute of Tangier would abolish certain commissions of which you are ex officio a member and would tend to modify certain functions which you are performing under the terms of the Act of Algieras⁶ and previous treaties.

It is not the purpose of the United States to pursue a policy of obstruction in the face of the effort made by the signatory powers of the Tangier Convention to provide the Tangier Zone with a satisfactory form of government, an effort which will of necessity alter in some degree the previously existing administrative machinery.

A distinction therefore must be made between those acts of the authorities of Tangier which adversely affect substantial American

¹ For previous correspondence on this question, see *Foreign Relations*, 1924, vol. II, pp. 456 ff.

² Not printed.

³ See *Foreign Relations*, 1924, vol. II, p. 470, footnote 16.

⁴ *Ibid.*, p. 466.

⁵ French text and English translation printed in Great Britain, Cmd. 2096, Morocco No. 1 (1924): *Convention Regarding the Organisation of the Statute of the Tangier Zone, signed at Paris, December 18, 1923.*

⁶ *Foreign Relations*, 1906, pt. 2, p. 1495.

rights and interests and those which merely involve unimportant departures from or non-observance of practices established under the Act of Algeciras and other international agreements, and which do not materially affect this Government's interests.

Incidents of the latter sort need not be made the subject of formal complaint, but should be reported to the Department from time to time for its information. However, in cases which may be regarded as innovations upon this Government's established rights, you should take such immediate action as the exigency of the situation may seem to demand and report the facts to the Department for instructions.

I am [etc.]

CHARLES E. HUGHES

881.00/1053

The French Ambassador (Daeschner) to the Secretary of State

[Translation †]

WASHINGTON, May 31, 1925.

MR. SECRETARY OF STATE: In compliance with instructions from my Government, I have the honor to inform Your Excellency that the Statute of Tangier established through the Paris agreement of December 18, 1923, will go into effect on June 1.

This step has been taken in accord with the Governments of Spain and Great Britain, and my Government hopes that the Government of the United States will welcome the establishment of a regime, to the arrangements of which it has raised no fundamental objection.

Please accept [etc.]

E. DAESCHNER

881.00/1052

The Spanish Ambassador (Riaño) to the Secretary of State

[Translation †]

59-16

WASHINGTON, May 31, 1925.

MR. SECRETARY: In compliance with instructions from His Majesty's Government, I have the honor to inform Your Excellency that pursuant to an agreement between the Governments of Spain, Great Britain, and France, there shall be enforced on and after the 1st of June next, the Paris agreement of December 18, 1923, referring to the Statute of Tangier, the new regime being set up in its entirety and the Mixed Tribunal beginning to sit.

The Municipal Assembly and Control Committee will also enter upon their duties and the Sanitary Boards and Hygiene Commission will go out of office.

† File translation revised.

His Majesty's Government indulges the hope that the Government of the United States, whose adhesion to the new regime has met with no fundamental difficulty, will be pleased to recognize it at the earliest possible date, taking into account the fact that the local regime is to be established under conditions of regularity, permitting a normal development of economic life, which action will be sincerely and thankfully acknowledged by the governments that have signed the Paris agreement.

I avail myself [etc.]

JUAN RIAÑO

881.00/1047 : Telegram

The Chargé in Morocco (Murphy) to the Secretary of State

TANGIER, *May 31, 1925—10 a. m.*

[Received 10:18 a. m.]

7. Shereefian Government has notified Italian Minister, as president of Sanitary Council, that Dahir of 1879 creating Council will be rescinded and Council abolished simultaneously with formal introduction of Tangier statute on June 1st, and Italian Minister is requested to surrender Sanitary Council funds to new administration. Italian Minister conscious of serious objections of his Government and has called meeting of Sanitary Council for June 3d. In view of Department's instructions No. 325, February 4th, request instructions. Principles of economic equality apparently unaffected and surrender of one source of revenue specifically contemplated in article 61 of Act of Algeciras. Sultan's right to rescind admitted. Further request instructions in regard to making applicable to American citizens and protégés consumption are [and] other taxes already announced. Suggest such taxes and other innovations should in each case be subject of formal request on part of Tangier Government for American Government's sanction and that such sanction if accorded be contingent upon consent of all governments including Italian.

MURPHY

881.00/1048

The British Ambassador (Howard) to the Secretary of State

No. 574

WASHINGTON, *June 1, 1925.*

SIR: I have the honour to inform you with reference to previous correspondence respecting the Tangier Convention of December 18th, 1923, that His Majesty's Government have agreed with the French and Spanish Governments that, in order to put an end to the state of uncertainty existing in the international zone of Tangier, the new Statute of Tangier should go into force today, June 1st.

I venture to express the hope that the United States Government, whose objections to adhering to the Tangier Convention, as expressed in Mr. Hughes' note of December 20th, do not appear to be of a fundamental character, will agree as to the necessity of establishing a settled regime in Tangier without further delay.

I have [etc.]

ESME HOWARD

881.00/1047 : Telegram

The Secretary of State to the Chargé in Morocco (Murphy)

WASHINGTON, June 1, 1925—5 p. m.

5. Your 7, May 31, 10 a. m. You are instructed to attend the meeting of the Sanitary Council but to take no active part in its proceedings beyond entering fullest reservations of the rights of the United States pending receipt of further instructions from the Department. Full instructions will be sent to you as soon as the Department has had opportunity to consider the matter further.

Taxes and acts of the Shereefian Government which might affect American citizens and protégés and to which the United States has not given its specific consent will not be regarded by this Government as applicable to American citizens and protégés except upon formal request by the Shereefian authorities through the diplomatic channel and upon the formally expressed approval of the Department.

KELLOGG

881.00/1056 : Telegram

The Chargé in Morocco (Murphy) to the Secretary of State

TANGIER, June 4, 1925—6 p. m.

[Received June 5—6:49 a. m.]

9. Department's number 5, June 1, 5 p. m. Instructions followed at meeting. French consul general stated he was instructed not to assist at any meeting purporting to be of Sanitary Council except in respect of surrender of archives and funds to new administration. British and Spanish consuls general concurred with him, all three maintaining position that Sanitary Council ceased to exist on May 31st. Belgian and Dutch consuls general were yet without instructions. Portuguese representative made reservations similar to America. Italian diplomatic agent read telegram from his Government refusing to recognize the abolition of Sanitary Council until agreement was reached by powers signatories to Act of Algeciras, and he refused to take responsibility as president of Council of surrendering archives and funds.

MURPHY

881.00/1073

The Chargé in Morocco (Murphy) to the Secretary of State

No. 399

TANGIER, June 4, 1925.

[Received June 23.]

SIR: I have the honor to refer to my telegram No. 7 of May 31st, 1925, reporting the action taken by the Mendoob, or Sultan's Representative in Tangier, in regard to the suppression of the Sanitary Council, concomitantly with the formal introduction of the new Tangier Administrative Régime, on June 1st, 1925, and I beg to transmit a brief outline of events in this connection.

This notification by the Mendoob appears not to have been delivered to the Italian Diplomatic Agent, President of the Sanitary Council, until Saturday morning, May 30th, and was brought to my attention only at noon on that day. It was therefore impossible for the American Government to be advised, and to have an opportunity to express its attitude or transmit its instructions to this Agency on the question, until after the dissolution of the Sanitary Council was held to be an accomplished fact by the Maghzen.

Although the Maghzen may consider itself justified in withdrawing the powers conceded by it since 1840 to the Sanitary Council, it certainly appears that it is open to the charge of unseemly haste, in abolishing summarily on a few hours notice, the rights and trust which the Sanitary Council had enjoyed for nearly a century.

The association of the three most interested Powers, France, Great Britain and Spain, with the Maghzen, in this maladroit procedure is indicated in the annotation, dated May 30th, of the British Consul-General, on the Circular by which the President of the Sanitary Council called a meeting for June 4th. This annotation was as follows:

"The date of June 4th does not appear to me compatible with the terms of the Mendoob's communication fixing:

1. The date of May 31st as that on which terminates the delegation of His Majesty the Sultan to the Diplomatic Body at Tangier.
2. and the date of June 1st as that on which shall commence the operation of the new administrative régime, conceded by His Majesty the Sultan to the Zone of Tangier.

On the other hand, we cannot, in my opinion, meet usefully, except to pronounce the closing of the current exercise of the functions of the Sanitary Council, register its suppression and transfer its accounts to the Maghzen.

I propose that a meeting, to be held for this purpose, take place to-morrow May 31st at 12.30 at the Italian Legation, if this hour suits Mr. President and my Colleagues."

In a second *tournée* of the Circular, the President pointed to the impossibility of assembling a meeting at such short notice as was suggested by Mr. Clive, and reiterated his convocation of the meeting for the date originally fixed, namely, June 4th.

All members agreed to attend this meeting, but each of the Representatives of France, Great Britain and Spain specified, in their acceptance, that the object of the assembly was to liquidate the Sanitary Council.

The attitude of the British Consul-General, is the more surprising in view of the information, communicated to me subsequently, by the Belgian Consul-General, who is the President of the Committee of Control, under the new Statute of Tangier, to the effect that it was by no means certain, at the time when this annotation was made, that the Tangier Convention could actually be enforced on June 1st, since the consent of the Spanish Government was still in doubt, and as a matter of fact, the Spanish Consul-General at Tangier received the instructions of his government only in the early hours of Sunday, May 31st.

The first impression gained from the comments of my Colleagues, was to the effect that none of them questioned the right, in principle, of the Sultan to withdraw the powers which had been delegated by His Majesty's predecessors to the Sanitary Council, but my Italian Colleague at once questioned the legality of the Maghzen's action, in the premises, since it was stated to be based upon the introduction of a new Tangier régime, which has not been accepted by all the Powers accredited to Morocco.

The meeting of the Sanitary Council was held, at the Italian Legation, this morning June 4th, as reported to the Department in my telegram No. 9 of June 4th, 1925, all the Foreign Representatives in Tangier being present.

In pursuance of the instructions set forth in the Department's cable No. 5 of June 1st, I confined myself, at the meeting, to the formulation of the fullest reservations of the rights of the United States. The Diplomatic Agent and Consul-General of Portugal, on the order of his Government, made a similar declaration. The Italian Diplomatic Agent, read out the following message which he had received from his Government:

"The Italian Government not considering legal the Shereefian Dahir mentioned in the letter of His Excellency (the Mendoob) Sid Hadj Mohammed Buasherin, and while formulating therefore all reservations in respect of any eventual impairment of the Italian Government's rights and interests, refuses to recognize the abolition of the Sanitary Council, so long as an agreement shall not have been reached among the Powers signatory to the Act of Algeciras."

The Consuls-General of Belgium and of Holland stated that they had not yet received instructions from their governments, and therefore desired to abstain from making any declaration.

The French Consul-General stated that he had received peremptory instructions from his Government not to assist at any meeting of the Sanitary Council, which his Government considered to have become abolished on May 31st, and that the only reason of his presence at that assembly was to witness the transfer of the archives, accounts and funds of the Sanitary Council to the new Administration. His British and Spanish Colleagues concurred in this attitude.

The Italian Diplomatic Agent replied that, in view of the position he had exposed, he could not, as President of the Sanitary Council, take upon himself the responsibility of divesting himself of the charge of the archives and funds of the Council.

The foregoing summarizes the result of the official deliberations.

During the informal discussions of the subject, among some of my Colleagues, I observed that, apart from any legal considerations, and without any reference to the view which the Department might adopt in regard to the matter, my own personal feeling was one of regret that a bond of common interest and co-operation, of so many years' standing between the Maghzen and friendly Powers, should have been, abruptly, and, in my opinion unnecessarily terminated by such summary and unceremonious procedure as that which had been followed.

From the cursory consideration which I have been able to give to the question, for the moment, it would not seem that the disappearance of the Sanitary Council will, in practice, have much bearing on the existing rights of the United States, beyond, of course, depriving the American Representative of a voice in the municipal and port regulations and government in Tangier. In this connection, I would respectfully refer the Department to the report on the constitution, organization and legal powers of the Sanitary Council, contained in Minister Carpenter's Despatch No. 151 of July 21st, 1911.⁹

Nevertheless, the abolition of the Sanitary Council, as it has been effected, is a symptom that the coercive methods of France, Great Britain and Spain, in the execution of their Tangier policy, have not been abandoned, and will, it is apprehended, be further adopted in matters of more concrete interest to the United States.

In regard to the inauguration of the Tangier Convention, there is attached hereto, copy of the original French text, and translation, of a communication addressed to me, under the joint signatures of the Consuls-General of France, Spain and Great Britain,⁹ giving notifi-

⁹ Not printed.

cation of the application of the Tangier Convention on June 1st, 1925. This notice was not delivered at this Agency until the afternoon of Sunday, May 31st.

This office has received no copy of the "Dahirs" referred to in the above mentioned communication, nor any notification thereof from the Sultan's Representative.

I gather that there is considerable dissatisfaction and frequent discord between the Representatives of the Powers who have already adhered to the Convention, namely, France, Spain, Great Britain, Belgium and Holland, and who act at present as the Committee of Control. The Belgian Consul-General, in particular, has been very openly expressive to me of his grievances. He is the President of the Committee of Control, but complains that he is treated as a non-entity by the Representatives of France, Great Britain and Spain, frequently being asked merely to sign decisions taken by them, without any deliberation of the Committee, and often adopted at surreptitious meetings among the three.

Portugal and Italy, besides the United States, have not yet adhered to the Convention.

Sweden has recently given its adhesion. Sweden was a party to the Madrid Convention of 1880,¹⁰ and also a Power signatory to the Act of Algeciras. There has, however, been no Swedish Diplomatic or Consular officer of career in Tangier for very many years, Swedish representation having been confided to a prominent Swedish merchant, Mr. Carl Dahl, as honorary Consul-General.

Mr. Dahl informs me that his Government, acceding to the Tangier Convention, stipulated that its adhesion did not imply a surrender of Swedish capitulatory rights but a suspension thereof during the term of the Convention, namely, 12 years, and that, if at the expiration of that period, the Convention were not to be renewed, the Swedish Government would resume its extraterritorial jurisdiction. The adhesion was further subject to the condition that, if the Swedish Government should decide to send, as its representative, to Tangier a Consular officer of career, this representative should be admitted as a member of the Committee of Control.

In conclusion, I would inform the Department that, in informal casual conversations with some of the members of the Committee of Control, notably, with the Belgian, French and British Consuls-General, after I had learned that the Statute was to be enforced on June 1st, I expressed the hope that no attempt would be made summarily to apply, on that date, the announced laws and taxation to American citizens and protégés, as I felt that it would be regrettable to complicate the situation by the enforcement of measures, which I could

¹⁰ 22 Stat. 817; Malloy, *Treaties*, 1776-1909, vol. 1, p. 1220.

not countenance. I trust the Department will approve this action on my part, which had for its object the avoidance of possible claims, involving future controversy.

I regret, however, to say that it is reported to me that the Customs Authorities appear already to have received instructions to withhold delivery of imported goods, in all cases without exception, until the new consumption taxes thereon have been paid by the destinees.

I have [etc.]

J. LEE MURPHY

881.00/1074

The Chargé in Morocco (Murphy) to the Secretary of State

No. 403

TANGIER, June 11, 1925.

[Received June 26.]

SIR: I have the honor to transmit, herewith to the Department a brief account of the proceedings accompanying the formal inauguration of the Tangier Convention, referred to in my No. 399 of June 4th, 1925.

The ceremony took place at the former German Legation, which, under the terms of the Treaty of Versailles, was transferred from the German to the Moorish Government, is now known as the "Mendoobia," that is, the official headquarters of the "Mendoob," or Sultan's Delegate to the Tangier Zone, and in which are also located the meeting hall of the International Legislative Assembly and the Courts of the Mixed Tribunals.

At 10 a. m., on June 1st, 1925, the Mendoob, the Consuls-General of France, Great Britain, Belgium and Holland, and their staffs, in full uniform, the English Judges the French and Spanish Judges, the French and Spanish public prosecutors, and all the nominated members of the International Legislative Body, assembled in the Central Hall of the Mendoobia. A limited number of invitations had been issued to prominent members of the Tangier community, who represented the general public at the ceremony.

The Mendoob opened the proceedings by reading in Arabic the Sultan's "Dahir" declaring the new Tangier Statute to be in force. This "Dahir" was then read in Spanish by the Dragoman of the Spanish Consulate-General, and in French by the Dragoman of the French Consulate-General, as Secretaries of the Committee of Control.

The members of the Legislative Assembly then withdrew to their Hall, and having taken their seats, were followed by the Mendoob and the five Consuls-General above mentioned who, at present, compose the Committee of Control.

The judges and public prosecutors then entered, and took their oath of office, before the assembled authorities.

Mr. Briscoe, one of the English Judges, who by virtue of his seniority in age, is President of the General Assembly of Stipendiary Judges, pronounced a brief allocution in French formally establishing the International Mixed Court of Tangier, and declared opened the first session of 1925.

A similar declaration was made in Spanish by the Spanish Prosecuting Attorney, after which the proceedings terminated.

During the ceremony a salvo of 21 guns was fired by the town batteries.

After these ceremonies, the Legislative Assembly held its first official meeting, at which it confirmed the resolutions which had been passed in the course of its several informal and preparatory meetings held prior to June 1st.

The population of the city showed no signs of enthusiasm on the occasion of the establishment of the new governmental régime. Apart from the irritation already caused by the increased port and harbor dues, and the added burdens of new taxation, there is very acute discontent at the restrictions and irksome formalities attending commercial transactions, as a result of the enforcement of the Statute. Among these, the precipitate establishment of a customs barrier on the frontier between the International and the Spanish Zones, and the collection of duplicate import duties at this barrier, before proper arrangements had been made with Customs Authorities of the French and Spanish Zones for the refund of such duplicate duties, have called forth the most violent protestations.

A few days before the inauguration of the Statute, I was asked by several members of the Committee of Control if I would officially attend the contemplated ceremonies, and naturally replied, that, under the circumstances, I regretted that it would not be possible for me to do so. A formal invitation by the Mendoob for me and the staff of this office, was however delivered to the Agency and Consulate-General, late in the afternoon of Sunday, May 31st. No member of this Agency was present at the proceedings.

I have [etc.]

J. LEE MURPHY

881.00/1053

*The Secretary of State to the French Ambassador (Daeschner)*¹²

WASHINGTON, June 18, 1925.

EXCELLENCY: I have the honor to acknowledge the receipt on June 2 of your note dated May 31, 1925, in which you inform me of an arrangement between the Governments of France, Great Britain and

¹² The same, *mutatis mutandis*, to the Spanish Ambassador and the British Chargé.

Spain to bring into operation on June 1, 1925, the convention signed by those Governments on December 18, 1923. You express the hope that this Government may welcome the installation of a rule, the provisions of which have, in the opinion of your Government, met with no fundamental objection by the Government of the United States.

In a note dated December 20, 1924, addressed to your predecessor, Mr. Hughes stated that upon receipt of satisfactory assurances on certain points which were discussed in the note, this Government would consider the possibility of suspending its extraterritorial rights in Tangier to the extent that they might appear to be adequately safeguarded by the proposed new regime. I consider assurances on the points raised in that note and satisfactory response to the two questions stated in the penultimate paragraph thereof to be essential to further consideration by this Government of the possibility of suspending extraterritorial rights in Tangier.

In the absence of such assurances and response, I regret to have to inform you that I can not acquiesce in the action which has been taken, and am under the necessity of making full reservation of all rights of this Government and its nationals, whether by virtue of custom or of conventional arrangement, which may be affected by any effort to bring into force the provisions of the convention of December 18, 1923.

Accept [etc.]

FRANK B. KELLOGG

881.512/48

The Diplomatic Agent and Consul General at Tangier (Blake) to the Secretary of State

No. 17

TANGIER, *September 5, 1925.*

[Received September 21.]

SIR: I have the honor to transmit to the Department herewith, the French text, together with English translations, of 4 "Dahirs"¹³ relating to taxation imposed in the Tangier Zone, under the new Tangier Statutes, and which, the "Mendoob," or Sultan's Delegate, has requested this Diplomatic Agency to render applicable to American citizens and protégés.

In view of the conditions described in my No. 16 of September 4th, 1925,¹³ submitting an outline of the general policy, which it would appear appropriate for the United States Government to follow in regard to Tangier, I respectfully suggest that no reply be made, for the present, to the request of the Sultan's Delegate above referred to.

¹³ Not printed.

No complaint has, up to the present date, been presented by American *ressortissants*, with respect to any attempted collection of the taxes from them.

No endeavor is being made by the Authorities to impose the Stamp Tax on the citizens or protégés, of the United States, of Italy or Portugal, as it is evident that the enforcement of this tax against the *ressortissants* of these Powers, could only be obtained through the medium of their respective Consular Courts, which cannot, in the absence of the adhesion of their Governments to the Tangier Convention, legally subject their nationals to the taxation.

As regards the other taxes, namely, the consumption taxes on Alcohol and Beer, on Sugar, Tea, Coffee, Spices, and Candles, and the Registration Taxes, the local Administration is in a position to employ, and apparently intends to avail itself of, illegal but effective means of extracting payment. For instance, American importers of commodities subjected to consumption taxes, will apparently not obtain delivery of their goods from the Customs Authorities, without the previous payment of the consumption duties, over and above, the payment of the import duties fixed by the treaties; and, transactions in real estate, involving American purchaser or vendor, would be obstructed until the latter had complied with the requirements of the "Registration" Dahir.

In such cases, where complaints might be lodged at the Diplomatic Agency, it is respectfully suggested, that I be authorized to instruct American citizens and protégés to pay the taxes, under protest, and the Department could consider the advisability of demanding the refund of these illegal taxations, as a prerequisite to its eventual acquiescence in their application to American *ressortissants*. This suggestion is made, on the assumption that the Department would not desire to pursue a policy of more open resistance to the encroachments of the local authorities, on American treaty rights.

I have [etc.]

MAXWELL BLAKE

881.512/48

The Secretary of State to the Diplomatic Agent and Consul General at Tangier (Blake)

No. 364

WASHINGTON, December 1, 1925.

SIR: The Department acknowledges the receipt of your despatch No. 17 of September 5, 1925, with respect to the request of the Mendooob to render applicable to American citizens and protégés in the Tangier Zone the provisions of four Dahirs relating to taxes on alcohol, beer, sugar, tea, coffee, spices, candles, a registration tax and a stamp tax.

Pending the settlement of the position which this Government may deem it proper to take with reference to the Statute of Tangier, it is not in a position to assent to the imposition in the Tangier Zone of any taxes upon American nationals or protégés through the action of the legislative body at Tangier and upon the request of the Mendoob. If it should be necessary for American nationals or protégés to pay any of these taxes in order to carry on their proper business in the Tangier Zone, you will, in accordance with the suggestion made in your despatch under acknowledgment, instruct American citizens to pay the taxes under protest and to report the amounts thus paid to the Consulate General.

I am [etc.]

For the Secretary of State:
JOSEPH C. GREW

852.01/11 : Telegram

The Ambassador in Spain (Moore) to the Secretary of State

MADRID, December 3, 1925—5 p. m.

[Received December 3—3:30 p. m.]

74. Supplementing my telegram of December 3, 1 a. m.¹⁴ In audience granted me today, King spoke with confidence of new political arrangement and stated that for one year preparations had been made looking to this change but that conditions in Morocco had up to now prevented effecting it. He said Tangier being an international zone cost Spain 20,000 soldiers to police boundary and prevent contraband. He said he did not ask that Tangier be turned over to Spain, but he believed that the powers should permit Spain to police it and that this would help to solve the Moroccan problem.

Spain is quite tranquil. The suddenness of the change has created much interest and it is believed to be a step toward normalcy.

MOORE

**RESERVATION OF AMERICAN RIGHTS WITH RESPECT TO JOINT
NAVAL VIGILANCE OF FRANCE AND SPAIN OFF THE MOROCCAN
COAST**

881.00/1087

The Chargé in France (Whitehouse) to the Secretary of State

No. 5330

PARIS, June 25, 1925.

[Received July 7.]

SIR: I have the honor to report that an Agreement has been signed at Madrid providing for naval coöperation between Spain and France on the coast of Morocco.

¹⁴ Not printed.

The terms of the Agreement are said to be as follows: it provides for the establishment of a joint naval surveillance by the two Powers off the coast of Morocco between the 2nd meridian of West Longitude (Greenwich) and the 27th parallel of North Latitude—that is to say, between (approximately) the Algerian frontier and a point about 50 miles south of Cape Juby, opposite the Canary Islands. This coast will be divided into sectors by arrangement between the naval authorities, and in these sectors the ships of the two Powers will act independently but in coöperation for the purpose of stopping the importation of arms and ammunition, and of preventing ships from having access to the coast of Morocco except at those ports which are open to trade. To facilitate the maintenance of this surveillance Spanish warships will be able to make use of the French ports of Oran and Nemours, in Algeria, and French warships will be able to use Algeciras, Malaga and Almeria, in Spain.

I have [etc.]

SHELDON WHITEHOUSE

881.00/1098

The Ambassador in Spain (Moore) to the Secretary of State

No. 622

MADRID, June 29, 1925.

[Received July 14.]

SIR: In confirmation of my telegram No. 40 of June 27; 3 p. m.,¹⁵ bearing on the subject of the maritime vigilance which the Governments of Spain and France have agreed to exercise along the Moroccan littoral, I have the honor to transmit herewith the text and translation of a *Note Verbale*, dated June 26, 1925, in which the Foreign Office apprises me of the conclusion of such an agreement.

I have [etc.]

ALEXANDER P. MOORE

[Enclosure—Translation]

The Presidency of the Spanish Military Directorate to the American Embassy

Morocco Office

No. 118

NOTE VERBALE

Pursuant to an agreement between the Governments of His Catholic Majesty and of the French Republic, the Presidency of the Military Directorate has the honor to acquaint your Embassy with the following information:

“Along the littoral of the Spanish and French territories under protectorate as well as sovereignty situated in north and west of Africa

¹⁵ Not printed.

between longitude two degrees west of Greenwich and twenty-seven degrees north latitude, Spanish and French warships shall jointly exercise vigilance to secure strict observance of international provisions and regulations prohibiting, on the one hand, all access to the Morocco coast, with the exception of open ports, and, on the other, all importation of arms and war material into Morocco. For this purpose, the said vessels shall watch and visit if necessary, in conformity to international usage in the matter, all ships which with good reason may be suspected of infringing the provisions mentioned. This vigilance shall have reference to arms, munitions and war material, as also to merchandise suspected of being bound for ports or natural harbors not open to commerce."

MADRID, *June 26, 1925.*

881.00/1096

The Ambassador in France (Herrick) to the Secretary of State

No. 5361

PARIS, *July 3, 1925.*

[Received July 13.]

SIR: With reference to my telegram No. 364, July 3, 5 p. m.,¹⁶ I have the honor to transmit herewith copy and translation of two notes from the Ministry for Foreign Affairs regarding the surveillance of the Moroccan coast by French and Spanish warships.¹⁷

I have [etc.]

MYRON T. HERRICK

[Enclosure 1—Translation]

The French Ministry for Foreign Affairs to the American Embassy

PARIS, *July 3, 1925.*

After agreement with the Spanish Government, the French Government has the honor to transmit to the Embassy of the United States of America at Paris the following information:

On the offing of the coast of French and Spanish territories, both as regards dominions and protectorates, situated to the North and West of Africa and included between the second meridian of West Longitude (Greenwich) and the 27th parallel of North Latitude, French and Spanish warships will jointly ensure the strict observation of the international provisions and regulations prohibiting, on the one hand, any access to the Moroccan coast outside of open ports,

¹⁶ Not printed.

¹⁷ Similar notes from the Spanish Foreign Office, dated June 26 (*supra*) and July 2 (not printed), were received by the Embassy at Madrid and forwarded to the Department in despatches of June 29 and July 3 (file Nos. 881.00/1098, 1110).

and, on the other hand, any importation of arms or war material into Morocco. To this end, the said ships shall supervise and visit, if necessary, pursuant to international usages in such matters, all ships suspected, for reasonable motives, of contravening the prescriptions referred to.

This surveillance will apply both to arms, munitions and war material as well as to merchandise suspected of being directed to ports or natural anchoring-grounds not open to trade.

[Enclosure 2—Translation]

The French Ministry for Foreign Affairs to the American Embassy

PARIS, July 3, 1925.

After agreement with the Spanish Government, the French Government has the honor to transmit to the Embassy of the United States of America at Paris, the following information:

On all the coasts subjected to the joint surveillance of Spanish and French warships, pursuant to the notice given to-day to the representatives of the interested Powers in Paris, the French and Spanish Governments distinguish, as regards the limits and modalities of surveillance, two categories of sectors.

In the sectors comprising the ports open to trade or crossed by trade routes, the surveillance is limited to the six miles of territorial waters, with the right to follow outside this limit.

In the other sectors, the surveillance extends to the particular limits defined below:

1. Atlantic. Sector comprised between Cape Ghir and Cape Noun. The surveillance is exercised to the East of the line joining the points situated at six miles to the West of these two capes.

2. Mediterranean. Sector comprised between Cape Trois Fourches and Cape Negro (North of Tetouan). The surveillance is exercised to the South of the line joining these two capes.

Furthermore, the presence and the organizations of the dissidents on the coast rendering difficult and even dangerous, both trade navigation and the operations of control exercised by warships near the coast, the territorial waters of the sector, limited to six miles, are forbidden to navigation between Cape Mazari (South of Tetouan) and the point Abdun or Afraout (East of Alhucemas). Consequently, any merchant ship met by warships in the prohibited zone which cannot justify its presence shall be handed over to the competent authority.

The maritime surveillance of the territorial waters of the Tangier zone shall be exercised pursuant to the stipulations of Article 4 of the Convention of December 18, 1923.

The vessels and boats which may be recognized by the patrol vessels as engaged in trading in arms, munitions, war material and merchandise suspected of being directed to ports or natural anchoring-grounds not open to trade, will be handed over to the local competent jurisdiction.

The foregoing provisions being actuated by present events, have, because of this fact, only a temporary character and the High Contracting Powers reserve the right to modify them after prior agreement.

881.00/1096 : Telegram

*The Secretary of State to the Ambassador in France (Herrick)*¹⁸

WASHINGTON, July 31, 1925—3 p. m.

297. Referring to your despatch 5361, July 3. You may inform the French Government that this Government does not recognize the right of either the French or Spanish Governments to interfere with American vessels outside the three mile limit, as recognized by international law, nor does it recognize the right to interfere with such vessels within the three mile limit except in the manner provided for under the Act of Algeciras.¹⁹

KELLOGG

ENLISTMENT OF AMERICAN CITIZENS FOR MILITARY SERVICE IN MOROCCO

881.00/1139 : Telegram

The Acting Secretary of State to the Diplomatic Agent and Consul General at Tangier (Blake)

WASHINGTON, September 5, 1925—3 p. m.

9. In order to remove any misapprehensions which may have been caused by the reported enlistments of American citizens in the Sultan's Army, it is suggested that you may consider the advisability of taking measures to invite the attention of American citizens in Morocco to the provisions of Sections 5282 and 4090, Revised Statutes of the United States.

GREW

¹⁸ Similar instructions were sent to the Ambassador in Spain in telegram No. 43, July 31 (not printed).

¹⁹ For text of the act, see Malloy, *Treaties, 1776-1909*, vol. II, p. 2157; or *Foreign Relations, 1906*, pt. 2, p. 1495.

881.00/1153

*The Diplomatic Agent and Consul General at Tangier (Blake) to
the Secretary of State*

[Extract]

No. 26

TANGIER, *September 24, 1925.*

[Received October 12.]

SIR: I have the honor to enclose herewith cuttings from the issues of September 22nd and 23rd 1925 of the *Presse Marocaine*²⁰ a daily paper published in Casablanca, Morocco, reflecting upon an action attributed to the Department of State, in regard to the American aviators, serving with the French forces operating against the Riff.

The appearance of these comments in the local press came as a complete surprise to me, in view of the fact that, upon receipt of the Department's telegram No. 9 of September 5th, 1925, I decided, after careful consideration, to refrain from giving effect to the discretionary instructions transmitted. It appeared to me, under the circumstances, that the harm which had been done, might rather be rectified by the silence, which was gathering over the waning glamour, with which the French Authorities had sought to surround the co-operation of the American aviators.

I have [etc.]

MAXWELL BLAKE

881.00/1151

*The Secretary of State to Representative A. Piatt Andrew of
Massachusetts*

WASHINGTON, *October 21, 1925.*

SIR: I have the honor to acknowledge the receipt of your letter of October 7, 1925,²⁰ concerning the inquiries addressed to you . . . regarding certain questions raised by the reported enlistment of American citizens in the army forces of the Sultan of Morocco.

It is believed that the following statement of the facts in the matter will be of interest to you and will cover the points raised by your constituent:

Several weeks ago letters were received by the Department stating that American citizens were reported to be enlisting in the army of the Sultan of Morocco for service in Morocco. These letters expressed apprehension concerning the situation and appeared to consider that the matter should receive the attention of the Depart-

²⁰ Not printed.

ment. The Department, realizing that the misapprehension might also exist in Morocco, believed it advisable and proper to inform its officer in Morocco of the laws with respect to the enlistment of Americans in foreign military forces. It, therefore, sent a telegram to the Diplomatic Agent and Consul General at Tangier stating that in order to avoid any misapprehension which might be caused in Morocco by the reports of alleged enlistment of American citizens in the Sultan's army, it was suggested that he might care to consider the advisability of calling to the attention of American citizens in Morocco the provisions of Section[s] 5282 and 4090 of the Revised Statutes of the United States. These statutes read as follows:

R. S. 5282 (Section 10 of the United States Criminal Code)

"Whoever, within the territory or jurisdiction of the United States, enlists or enters himself, or hires or retains another person to enlist or enter himself, or to go beyond the limits or jurisdiction of the United States with intent to be enlisted or entered in the service of any foreign prince, state, colony, district, or people, as a soldier, or as a marine or seaman, on board of any vessel of war, letter of marque, or privateer shall be fined not more than a thousand dollars, and imprisoned not more than three years,"

to which was added on May 7, 1917, the following proviso which ceased to have effect at the termination of the late war:

"Provided, That this Section shall not apply to citizens or subjects of any country engaged in war with a country with which the United States is at war, unless such citizen or subject of such foreign country shall hire or solicit a citizen of the United States to enlist or enter the service of a foreign country. Enlistment under this proviso shall be under regulations prescribed by the Secretary of War."

R. S. 4090 reads as follows:

"Capital cases for murder or insurrection against the Government of either of the countries hereinabove mentioned (extraterritorial countries), by citizens of the United States, or for offences against the public peace amounting to felony under the laws of the United States, may be tried before the Minister of the United States in the country where the offence is committed if allowed jurisdiction; and every such Minister may issue all manner of writs, to prevent the citizens of the United States from enlisting in the military or naval service of either of the said countries, to make war upon any foreign power with whom the United States are at peace, or in the service of one portion of the people against any other portion of the same people; and he may carry out this power by a resort to such force belonging to the United States, as may at the time be within his reach."

The Department has no evidence as to whether the aviators in question have or have not enlisted in the Army of the Sultan of Morocco nor has it information as to the nature of their connection with the armed forces in Morocco. The Department, however, felt

it to be its duty to call the attention of American citizens in Morocco to the laws of the United States designed to prevent and make unlawful the enlistment, in the United States or in countries where we enjoy extraterritorial privileges, of American citizens for service in foreign armed forces.

I have [etc.]

FRANK B. KELLOGG

881.00/1179

The Ambassador in France (Herrick) to the Secretary of State

No. 5701

PARIS, November 10, 1925.

[Received November 23.]

SIR: I have the honor to report that, on November 6th, the Paris press announced that the American aviators, who volunteered their services to the French and Moroccan governments in the middle of July of this year, will be disbanded November 15th in Morocco and will return to France.

The membership of this squadron was reported to consist of:—

Col. Charles Sweeney, head of the volunteer American air squadron (who had served in the French Foreign Legion)

Maj. Granville Pollock, aviator

Lieut.-Col. Charles Kerwood, aviator

Capt. R. H. Weller

Capt. Graham Bullen

Capt. Lansing Holden

Paul Rockwell, of Atlanta, Ga., (veteran of the Lafayette Escadrille)

James Mustain

Capt. Donald McGibeny

Capt. James V. Sparks (surgeon)

Major Baer (veteran of the Lafayette Squadron)

Maj. William Rogers, of Pittsburgh, Pa., (a Lafayette pilot)

Col. Austin Parker (veteran of the Lafayette Escadrille)

Joseph Stehlin, of Brooklyn, N. Y. (veteran of the Lafayette Escadrille)

2 newspapermen

When the French authorities were informed of the intention of these men to offer their services to the War Department, the French Ministry for Foreign Affairs immediately took up the problem of deciding whether the enlistment of foreigners was likely to provoke international difficulties owing to the political status of Morocco, technically governed by its Sultan but under the protection of France. It early became apparent that, if entering the Sultan's army, even for a limited period, required a formal recognition of the Sultan as a potentate, any American volunteer accepting such a pledge would forfeit

his American citizenship; however, on the 19th of July, the press announced that the aeroplane contingent would be permitted to leave Paris within 48 hours to offer its services to the Sultan of Morocco at Rabat, stating that the French military authorities had been assured from Morocco that the Americans would not be required to take any oath of fidelity which would endanger their American citizenship, and that as a special favor the oath of fidelity to Moslemism, which would require certain traditional rites to be observed were Christians to be converted to the faith of the Sultan, would also be waived. It was further stated that the entry of the aviators into the Riffian forces would be facilitated by the French authorities, uniforms would be provided, messing arrangements concluded and a small, but satisfactory daily stipend allowed, the unit to remain intact for aviation purposes.

Several receptions, banquets and luncheons were tendered the American fliers during the period from their announced intention to volunteer their services to their departure from Paris. At the reception given at the Cercle Volney on July 29th Mr. Jusserand, former French Ambassador at Washington, made an address, and the following day a luncheon was given the volunteers at the Union Interalliée at which addresses were made by M. Briand, Minister of Foreign Affairs; M. Laurent-Eynac, Commissioner-General for Aeronautics; M. Franklin-Bouillon; General Jacquemot; Col. Féquent, Chief of the French Aviation Service; and Marcel Knecht, editor of *Le Matin*.

The first contingent of the aviators above mentioned left Paris on August 5th for Rabat via Marseilles, Barcelona, Malaga, making the journey in planes driven by French pilots. At Rabat they were welcomed on August 11th by a group of French aviators who had come expressly from Fez, and General Hoesch, former Marshal Lyautey's Chief of Staff. At a luncheon given in the officers' mess of the 37th Aviation Corps to which the American squadron was attached, the Presidential decree on the uniform to be worn was read; khaki, stripes on sleeves and dark-blue cap. As a distinctive mark the American aviators were given a five-pointed star between two wings on the lapels of their tunic and their cap, this being the emblem of the Sultan of Morocco.

On August 17th, Colonel Sweeney submitted to General Naulin, the French Commander-in-Chief, his program—the departure by the end of the week of nine aviators, in groups of three, flying to the army zones of Wezzan, Fez and Taza, working alternately, and reassembling at Fez on Sept. 2nd. The entire contingent of American volunteers (including some French volunteers) was received in special audience, accompanied by former Marshal Lyautey and his General Staff, by the Sultan of Morocco at the Palace at Rabat on August 21st, at which his Majesty was presented an emblem of the American squad-

ron—a gold medal—similar to one already accepted by former Marshal Lyautey. Immediately after the presentation at the Palace, the American fliers returned to Fez to be definitively incorporated to [*in*] the Sultan's army (August 21st).

No news of any sort as to particular actions of the French air forces, participated in by the Americans, has been published in any of the Paris papers nor have any casualties been reported, with the exception of Lieut-Col. Charles W. Kerwood, who sustained slight injuries at Casablanca in making a bad landing during a trial flight late in August.

French papers did not comment as extensively on the formation and actions of the squadron as might have been expected, but their attitude was uniformly laudatory, although several papers later published news of the receipt by the American Legation in Cairo of a long petition, protesting against the Americans taking this step, and stated that the Egyptian Nationalist Press was extremely bitter in its comment. On September 22nd *L'Humanité* (the Communist organ) commented on Secretary of State Kellogg's reported advice relative to American aviators in Morocco, as follows: "It would not be unsafe to say that this is only America's first step against the imperialist French plans of a conquest of the Riff".

The reported plans for the disbanding of the aviators have received little or no comment in the press of Paris.

I have [etc.]

MYRON T. HERRICK

881.00/1169a : Telegram

The Secretary of State to the Ambassador in France (Herrick)

WASHINGTON, November 11, 1925—5 p. m.

421. Department's 415, November 9, 1 p. m.²² You are informed that the attitude of this Government with respect to American citizens serving in the armed forces in Morocco is based upon the spirit of the laws of the United States regarding foreign enlistment, notably Sections 5282 and 4090 of the Revised Statutes of the United States. Therefore, no official recognition should be extended to any American citizens who have been or who still are connected with the armed forces in Morocco other than that which would ordinarily be extended to any private citizen of American nationality in France.

Please inform Consulates.

KELLOGG

²² Not printed.

881.00/1170: Telegram

The Ambassador in France (Herrick) to the Secretary of State

[Paraphrase]

PARIS, November 12, 1925—1 p. m.

[Received 2:23 p. m.]

559. Your 421, November 11, 5 p. m. I have always had a perfect understanding of the attitude of the American Government regarding the service of American citizens in armed forces in Morocco, and I have governed myself accordingly. I have never at any time had any sort of communication with them nor has there ever been any question of any sort of official recognition. In fact I fail to understand the cause of your 421.

HERRICK

881.00/1170: Telegram

The Secretary of State to the Ambassador in France (Herrick)

WASHINGTON, November 12, 1925—5 p. m.

424. Your 559, November 12, 1 p. m. The Department's 421 was sent in the belief that it would be a useful addition to the permanent files of the Embassy and in order that the Consulates in France might be appropriately instructed before the aviators returned. There was no intention of reflecting upon your understanding of the situation or upon your attitude.

KELLOGG

881.00/1181

The Ambassador in France (Herrick) to the Secretary of State

No. 5720

PARIS, November 14, 1925.

[Received November 27.]

SIR: With reference to my despatch No. 5701 of November 10, 1925, I have the honor to transmit herewith the original and translation of an article which appeared in *Le Temps* of today's issue.

I have [etc.]

MYRON T. HERRICK

[Enclosure—Translation]

Article Reprinted From "Le Temps" of November 14, 1925

THE DISSOLUTION OF THE RIFFIAN SQUADRON

The Riffian squadron has been dissolved. The officers who composed it are returning to France. This squadron was made the object of the

following appreciative citation, signed by Marshal Pétain, with reference to the brilliant services rendered by these volunteers on the Moroccan front:

"The squadron, brilliantly commanded by Colonel Sweeney and solidly composed of Colonel Kerwood, Majors Pollock and Sussan, Captains Holden, Butts, Mussain, Weller, McGibene, Sparks, Rockwell and Bullen, and Lieutenants Cousins, Bennington, Jibene and Day, desirous of devoting themselves to the cause of France, came to Morocco in a fine gesture of enthusiasm and solidarity with their comrades of the Great War.

"This unit, remarkable for the abnegation and the high moral value of its members, daily executed difficult missions and distant liaisons, and flights of *reconnaissance* and bombardment, accomplishing in six weeks more than 350 war missions and releasing more than forty tons of projectiles."

NETHERLANDS

ARBITRATION BETWEEN THE UNITED STATES AND THE NETHERLANDS RESPECTING SOVEREIGNTY OVER THE ISLAND OF PALMAS¹

Treaty Series No. 711

*Treaty Between the United States of America and the Netherlands,
Signed at Washington, January 23, 1925*²

The United States of America and Her Majesty the Queen of The Netherlands;

Desiring to terminate in accordance with the principles of international law and any applicable treaty provisions the differences which have arisen and now subsist between them with respect to the sovereignty over the Island of Palmas (or Miangas) situated approximately fifty miles southeast from Cape San Augustin, Island of Mindanao, at about five degrees and thirty-five minutes (5°35') north latitude, one hundred and twenty-six degrees and thirty-six minutes (126°36') longitude east from Greenwich;

Considering that these differences belong to those which, pursuant to Article I of the Arbitration Convention concluded by the two high contracting parties on May 2, 1908, and renewed by agreements dated May 9, 1914, March 8, 1919, and February 13, 1924, respectively,³ might well be submitted to arbitration;

Have appointed as their respective plenipotentiaries for the purpose of concluding the following special agreement;

The President of the United States of America: Charles Evans Hughes, Secretary of State of the United States of America, and

Her Majesty the Queen of the Netherlands: Jonkheer Dr. A. C. D. de Graeff, Her Majesty's Envoy Extraordinary and Minister Plenipotentiary at Washington;

¹Diplomatic correspondence between the United States and the Netherlands regarding the Island of Palmas from 1906 to 1924 is printed in *The Island of Palmas Arbitration Before the Permanent Court of Arbitration at The Hague . . . Memorandum of the United States of America* (Washington, Government Printing Office, 1925), pp. 134-192.

²In English and Netherlands languages; Netherlands text not printed. Ratification advised by the Senate, Feb. 10, 1925; ratified by the President, Mar. 2, 1925; ratified by the Netherlands, Mar. 3, 1925; ratifications exchanged at Washington, Apr. 1, 1925; proclaimed by the President, Apr. 2, 1925.

³*Foreign Relations*, 1909, p. 442; *ibid.*, 1915, p. 1099; *ibid.*, 1919, vol. II, p. 651; *ibid.*, 1924, vol. II, p. 474.

Who, after exhibiting to each other their respective full powers, which were found to be in due and proper form, have agreed upon the following articles:

ARTICLE I

The United States of America and Her Majesty the Queen of The Netherlands hereby agree to refer the decision of the above mentioned differences to the Permanent Court of Arbitration at The Hague. The arbitral tribunal shall consist of one arbitrator.

The sole duty of the arbitrator shall be to determine whether the Island of Palmas (or Miangas) in its entirety forms a part of territory belonging to the United States of America or of Netherlands territory.

The two Governments shall designate the arbitrator from the members of the Permanent Court of Arbitration. If they shall be unable to agree on such designation, they shall unite in requesting the President of the Swiss Confederation to designate the arbitrator.

ARTICLE II

Within six months after the exchange of ratifications of this special agreement, each Government shall present to the other party two printed copies of a memorandum containing a statement of its contentions and the documents in support thereof. It shall be sufficient for this purpose if the copies aforesaid are delivered by the Government of the United States at the Netherlands Legation at Washington and by the Netherlands Government at the American Legation at The Hague, for transmission. As soon thereafter as possible and within thirty days, each party shall transmit two printed copies of its memorandum to the International Bureau of the Permanent Court of Arbitration for delivery to the Arbitrator.

Within six months after the expiration of the period above fixed for the delivery of the memoranda to the parties, each party may, if it is deemed advisable, transmit to the other two printed copies of a counter-memorandum and any documents in support thereof in answer to the memorandum of the other party. The copies of the counter-memorandum shall be delivered to the parties, and within thirty days thereafter to the Arbitrator, in the manner provided for in the foregoing paragraph respecting the delivery of memoranda.

At the instance of one or both of the parties, the Arbitrator shall have authority, after hearing both parties and for good cause shown, to extend the above mentioned periods.

ARTICLE III

After the exchange of the counter-memoranda, the case shall be deemed closed unless the Arbitrator applies to either or both of the parties for further written explanations.

In case the Arbitrator makes such a request on either party, he shall do so through the International Bureau of the Permanent Court of Arbitration which shall communicate a copy of his request to the other party. The party addressed shall be allowed for reply three months from the date of the receipt of the Arbitrator's request, which date shall be at once communicated to the other party and to the International Bureau. Such reply shall be communicated to the other party and within thirty days thereafter to the Arbitrator in the manner provided for above for the delivery of memoranda, and the opposite party may if it is deemed advisable, have a further period of three months to make rejoinder thereto, which shall be communicated in like manner.

The arbitrator shall notify both parties through the International Bureau of the date upon which, in accordance with the foregoing provisions, the case is closed, so far as the presentation of memoranda and evidence by either party is concerned.

ARTICLE IV

The parties shall be at liberty to use, in the course of arbitration, the English or Netherlands language or the native language of the Arbitrator. If either party uses the English or Netherlands language, a translation into the native language of the Arbitrator shall be furnished if desired by him.

The Arbitrator shall be at liberty to use his native language or the English or Netherlands language in the course of the arbitration and the award and opinion accompanying it may be in any one of those languages.

ARTICLE V

The Arbitrator shall decide any questions of procedure which may arise during the course of the arbitration.

ARTICLE VI

Immediately after the exchange of ratifications of this special agreement each party shall place in the hands of the Arbitrator the sum of one hundred pounds sterling by way of advance of costs.

ARTICLE VII

The Arbitrator shall, within three months after the date upon which he declares the case closed for the presentation of memoranda

and evidence, render his award in writing and deposit three signed copies thereof with the International Bureau at The Hague, one copy to be retained by the Bureau and one to be transmitted to each party, as soon as this may be done.

The award shall be accompanied by a statement of the grounds upon which it is based.

The Arbitrator shall fix the amount of the costs of procedure in his award. Each party shall defray its own expenses and half of said costs of procedure and of the honorarium of the Arbitrator.

ARTICLE VIII

The parties undertake to accept the award rendered by the Arbitrator within the limitations of this special agreement, as final and conclusive and without appeal.

All disputes connected with the interpretation and execution of the award shall be submitted to the decision of the Arbitrator.

ARTICLE IX

This special-agreement shall be ratified in accordance with the constitutional forms of the contracting parties and shall take effect immediately upon the exchange of ratifications, which shall take place as soon as possible at Washington.

In witness whereof the respective plenipotentiaries have signed this special agreement and have hereunto affixed their seals.

Done in duplicate in the City of Washington in the English and Netherlands languages this 23d day of January, 1925.

[SEAL]	CHARLES EVANS HUGHES
[SEAL]	DE GRAEFF

[The text of the award of April 4, 1928, was published by the Permanent Court of Arbitration; see *Arbitral Award Rendered in Conformity With the Special Agreement Concluded on January 23rd, 1925 Between the United States of America and the Netherlands Relating to the Arbitration of Differences Respecting Sovereignty Over the Island of Palmas (or Miangas)* (International Bureau of the Permanent Court of Arbitration).]

NICARAGUA

WITHDRAWAL OF THE LEGATION GUARD OF UNITED STATES MARINES AFTER THE INAUGURATION OF THE SOLORZANO ADMINISTRATION

817.1051/41 : Telegram

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

MANAGUA, January 3, 1925—noon.

[Received January 4—4:30 a. m.]

3. Department's instruction number 183, October 31,¹ and subsequent telegraphic communications relating to the proposed Nicaraguan constabulary. During an interview with President Solorzano this morning he expressed a desire that a plan for the establishment of a constabulary be submitted to him and promised upon its receipt promptly to present it to Congress with his recommendation that it be speedily approved. I inquired whether the services of Major Keyser² to organize and command the constabulary were acceptable and he indicated that he would be pleased to have him assigned for that duty. He stated that adequate provision for the cost of organizing and maintaining the constabulary which he desires to have cost as little as possible will be made in the new [budget?]. The President desires that the Legation guard should be retained until the constabulary is sufficiently well organized to make its withdrawal feasible.

A brief report on Major Keyser's plan will be cabled Monday.

THURSTON

124.1718/115 : Telegram

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

MANAGUA, January 3[5?], 1925—10 a. m.

[Received January 6—12:40 a. m.]

Legation's 3, January 3, noon. The commander of the Legation guard received instructions yesterday indicating that the Legation guard will be withdrawn from Managua in the latter part of January and that legislation necessary to enable officers of the Marine Corps to participate in the organization of the Nicaraguan constabulary prob-

¹ Not printed.

² U. S. Marine Corps, commander of the Legation guard.

ably will not be approved by the United States Congress prior to the withdrawal.

I venture respectfully to recommend that if the decision to withdraw the Legation guard in January is final and withdrawal is not to be made contingent upon the establishment of a capable constabulary force the Department should at an early date extend formal public recognition to the Solorzano government and announce its intention to lend its effective moral support. A hiatus after the withdrawal of the marines and before full recognition might easily be misunderstood by certain disaffected factions as an opportunity tacitly offered for the overthrow of the Solorzano administration whereas receiving [recognition] before withdrawal probably would prevent such misunderstanding.

THURSTON

124.1718/108 : Telegram

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

[Extract]

MANAGUA, *January 7, 1925—4 p. m.*

[Received January 8—2 p. m.]

9. Legation's January 6 [5?], 10 a. m. President Solorzano requested me to call this morning to discuss with him the withdrawal of the Legation guard. He appeared to be genuinely alarmed by the prospect of losing the marines and urged me to cable to the Department a full exposition of his views and desires. These are set forth in the following excerpts taken from the draft of a formal note which will be submitted to the Legation this evening by the Minister for Foreign Affairs:

[The excerpts have been omitted. For full text of the note, see the Chargé's telegram No. 13, Jan. 9, 1925, 10 a. m., printed on page 621.]

Although the newspapers have not yet published definite information regarding the withdrawal, there already exists some general alarm and it is asserted freely, announced by foreigners and Nicaraguans alike, that once the marines have gone a revolution will be inevitable. I am not convinced that this is necessarily certain but it is the general opinion.

THURSTON

124.1718/115a : Telegram

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

WASHINGTON, January 7, 1925—5 p. m.

1. Your January 3 [5?], 10 a. m. and January 6, 3 p. m.³ The Department feels that it cannot delay the withdrawal of the Legation Guard as it has definitely stated that it would be withdrawn after the inauguration of the new administration, and as the Nicaraguan Government has known for more than a year of the impending withdrawal, and has had before it this Government's offer to cooperate in the organization of a constabulary. The Department will, however, be glad to cooperate in every practicable way in organizing the constabulary, and I am again bringing to the attention of the House Military Affairs Committee the desirability of prompt action upon the pending legislation which would authorize the employment of American Marine officers as instructors. It is possible that this legislation will be approved before definite plans for the organization of the constabulary can be worked out.

The Department understands that the Navy Department will withdraw the Marines from Managua during January and that they will probably sail from Corinto about February 9. In the meantime the Department will be glad to have you and Major Keyser discuss plans for the organization of a constabulary, keeping the Department informed of any concrete proposals which may be made.

The Department has intended that you should continue to have formal and cordial diplomatic relations with the new authorities. This of course implies formal recognition and there is no objection to your making this fact clear. You may also indicate frankly but orally to the leaders of all parties that the new administration will have the moral support of the United States in maintaining the constitutional order and that the United States Government will be glad to extend any appropriate cooperation to Señor Solorzano in carrying out the program outlined in his inaugural address as reported by you in your January 2, 9 p. m.^{3a}

HUGHES

124.1718/108 : Telegram

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

WASHINGTON, January 8, 1925—6 p. m.

3. Your 9, January 7, 4 p. m. Please cable full text of note when received. You may inform Solorzano informally that this Govern-

³ Latter not printed.^{3a} Not printed.

ment will give note most careful consideration. Inquire whether there is any objection to publication of note.

HUGHES

124.1718/113 : Telegram

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

MANAGUA, January 9, 1925—10 a. m.

[Received January 10—2:38 p. m.]

13. Department's 3, January 8, 6 p. m. The following is the full text of Foreign Office note No. 14, dated January 7th:

"I have the honor to transmit to Your Honor the following observations in behalf of the President of the Republic: It having come to his knowledge that the commander of the detachment of marines of the Legation guard has orders to withdraw from the country by the next boat and basing himself on the convenience [*desirability?*] of general [*maintaining?*] order for the Republic he states with the urgency which the situation requires: 1. That by the Government of the United States as well as by the Government of Nicaragua it has been considered undesirable to withdraw the American marines before having established in the country a national guard (constabulary) which the Government not only is obligated to create but greatly desires to fulfill as is [*was?*] stated by the President in his inaugural address of January 1st. 2. The immediate withdrawal of the American marines among other lamentable consequences would cause: (a) uneasiness (*desconfianza*) persists [*to persist?*] in all the public businesses and activities and the foreign capital invested in the country, for although the Government counts with the majority of the country there are always persons who might avail themselves of the withdrawal of the constabulary [*Legation guard?*] to disturb the peace; (b) the depression of the customs bonds and depreciation of the currency; (c) the obligation of the Government to create without delay a standing army in expectation of possible disturbances or alterations of public order, an organization which would divert for its maintenance considerable sums of money which could be better employed in the development of resources or in the upkeep of public administration; (d) the origination of the unfounded, but not less dangerous to the Government and to the country though being unfounded, idea that there has been loosening of the firm ties of friendship which so fortunately exist between both governments and countries and which is so inspired [*evident?*] in the higher [*terms of?*] a recent note of the latter [*Legation?*] under your worthy charge to this Ministry of Foreign Relations [in which] Your Honor kindly said in the name of your Government that the withdrawal of the American marines would not be effected without its due substitution by the organized National Guard in the form already established as desirable and convenient in order to prevent possible political and economic disturbances in the Republic.

In view of these observations the President states, Your Honor, his definite desire that the detachment of American marines be not

withdrawn until there shall have been established under the guidance of American instructors the efficient service of the National Guard which would be very difficult if not impossible to effect in the absence of the Legation guard and he very earnestly and urgently begs Your Honor to be so good as to transmit this request by cable to Your Honor's enlightened and cultured Government which at all times has given evidences of its sincere and esteemed friendship for Nicaragua and in this gratifying and satisfactory belief he permits himself to hope that whatever may be the circumstances which have caused this decision to be taken [by your Government] the gravity and urgency of the reasons which he indicates will impel its friendly spirit to a reconsideration of the orders already given in behalf of peace, order, well-being and benefit of the country, which apart from giving the high appreciation which is due this invariable sentiment on the part of the United States will certainly repay it with the full[est measure?] of its good will.

Kindly anticipate [*convey?*] to Your Honor's Government the gratitude of mine which I very particularly extend to Your Honor and accept the assurances of my most distinguished consideration. (Signed) Salvador Castrillo."

I informed President Solorzano informally that his note would receive the most careful consideration. I also inquired whether there would be any objection to the publication of his note to which he replied that he would consult his Cabinet and inform me this evening.⁴

THURSTON

124.1718/113: Telegram

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

WASHINGTON, January 14, 1925—4 p. m.

8. Your January 9, 10 a. m. You will present the following note to the Minister of Foreign Affairs and telegraph the Department when do you so, in order that it may be made public together with the Nicaraguan Government's note of January 7:

"I have the honor to acknowledge the receipt of Your Excellency's note of January 7, 1925, in which Your Excellency refers to the unfortunate consequences which might follow the immediate withdrawal of the Legation Guard which has been stationed in Nicaragua since 1912,⁵ and expresses the desire of the President of Nicaragua that this Guard should not be withdrawn until there shall have been established, under the guidance of American instructors, an efficient Nicaraguan National Guard.

I am instructed to state in reply that my Government is somewhat surprised at Your Excellency's statement that both Governments have considered it undesirable to withdraw the American Marines before the establishment of a National Guard, and the further state-

⁴ Permission was granted (file No. 124.1718/111); the note was released to the press on January 17.

⁵ See *Foreign Relations*, 1912, pp. 1012 ff.

ment that this Legation had informed the Nicaraguan Ministry of Foreign Relations that the withdrawal of the Marines would not be effected until the proposed National Guard had been organized. The note which this Legation presented to Your Excellency's Government on November 14, 1923,⁶ contained the following definite statement of my Government's intentions: 'Therefore my Government instructs me to inform Your Excellency that upon the installation in January 1925 of the Government coming into office as the result of the elections to be held in October 1924 it will feel that there is no further reason to maintain the Legation Guard at Managua, and the American Marines will accordingly be withdrawn at that time.' The note further stated that 'As another evidence of its desire to assist Nicaragua in the orderly and undisturbed conduct of its normal existence my Government would be glad to assist the Nicaraguan Government in the organization and training of an efficient constabulary which would assure the maintenance of order after the Marines are withdrawn.' While the note in question, therefore, definitely informed Your Excellency's Government that the withdrawal of the Marines would take place in January of this year, it further proffered the assistance of my Government in training the proposed constabulary, should the Nicaraguan Government desire such assistance. My Government informed the Nicaraguan Government 14 months in advance of its intentions with respect to the Legation Guard in order to allow ample time for the Nicaraguan Government to take such steps as it might deem advisable. Under these conditions the responsibility for any unfortunate developments which might result from the failure to make adequate preparations to meet the situation created by the withdrawal of the Legation Guard clearly rests upon the Nicaraguan Government. My Government feels, therefore, that it would be entirely justified at this time in withdrawing the Legation Guard in accordance with its announced plan.

The Government of the United States, however, has always desired to cooperate in any proper way in promoting the peaceful development and prosperity of Nicaragua and it is therefore prepared, in consideration of Your Excellency's statement that the Nicaraguan Government now desires to establish the constabulary, to accede to that Government's request and to permit the Legation Guard to remain for such time as is absolutely necessary for the organization of the new police force. It can accede to the request of the Nicaraguan Government in this matter, however, only upon the definite understanding that the work of organizing the police force will be immediately undertaken and energetically prosecuted in accordance with a suitable plan. My Government understands that a period of from 3 to 6 months should be sufficient for the creation of the constabulary and it is therefore disposed to permit the Legation Guard to remain at Managua until a date not later than September 1, 1925, provided that satisfactory progress in the organization of the constabulary is made in the meantime."

You may say that instructions will be sent at once to Major Keyser to cooperate with Nicaraguan officials in taking the first steps toward

⁶ See instruction No. 102, Oct. 8, 1923, to the Chargé in Nicaragua, *ibid.*, 1923, vol. II, p. 607.

the organization of a constabulary, and to assist, so far as his duties permit, in the training of this body. The Department sees no reason why the necessary regulations should not be formulated and recruiting and training should not begin at once. Officers of the Legion Guard will be able to assist in the instruction of the constabulary for the present, but it will be necessary to consider later the permanent arrangements to be made regarding instruction.

The Department desires that you should impress upon President Solorzano the fact that the organization of the constabulary must be pressed energetically, in order to have that body in satisfactory condition at the earliest possible time. The Department desires to withdraw the Marines before September 1, if practicable.

HUGHES

817.1051/50

The Secretary of State to the Minister in Nicaragua (Ramer)

No. 204

WASHINGTON, February 17, 1925.

SIR: With reference to the Department's telegram No. 26, February 10, 3 p. m., regarding the plan for the establishment of a Constabulary in Nicaragua, there is transmitted herewith a copy of the plan as outlined in the telegram.⁷

It is assumed that you will transmit to the Department a copy of the plan as presented to the Nicaraguan Government, together with your note presenting the plan and any other correspondence regarding it.

I am [etc.]

For the Secretary of State:

JOSEPH C. GREW

[Enclosure]

Plan for the Establishment of a Constabulary in Nicaragua

1. The Nicaraguan Government will establish a civil police force which shall be referred to hereinafter as the "Constabulary."
2. The strength of the constabulary, exclusive of the American personnel, shall be 23 officers and 392 enlisted men, but this force will be increased should such increase appear advisable.
3. The Constabulary is to be armed, equipped and trained as a military police force with the object of entirely replacing the existing national police, navy and army of Nicaragua. This force is to be trained free from political influence as a national institution and used only to maintain peace, law and order.

⁷ Telegram not printed. This copy of the plan incorporates the Department's amendments to an earlier draft transmitted by the Legation.

4. To provide efficient organization and training the Constabulary will have a division known as the "Nicaraguan National Constabulary Training Branch." The numerical strength of this force will vary in size as the state of the organization and training of the Constabulary dictates. This force will be hereinafter referred to as the "Training Branch" and, in counter-distinction to this branch, the remainder of the Constabulary will be termed the "Constabulary proper."

5. In view of the desire of Nicaraguan Government that the United States lend its friendly cooperation in the formation of the Constabulary it is agreed that the officers and enlisted men of the Legation Guard, now stationed at Managua, will, until their withdrawal, voluntarily lend their service in its formation and training.

6. To this end it is agreed that these officers and enlisted men, whose voluntary service the Nicaraguan Government has accepted, shall within the training branch but not within the Constabulary proper, have full and complete authority. It is further agreed that upon the withdrawal of the Legation Guard detailed and more permanent arrangements for the development of the Constabulary will be made. In accordance with the request of the Government of Nicaragua the Government of the United States will suggest the names of qualified persons who may be employed under contract by the Nicaraguan Government to take over the management of the training branch after the withdrawal of the Legation Guard. The Nicaraguan Government will make every effort to obtain the services of these instructors a sufficient time in advance of the withdrawal of the Legation Guard to assure the uninterrupted functioning of the training branch.

7. The training branch, and all the Nicaraguan officers and enlisted men who may from time to time compose it, is not to come under the authority of the Ministry of War or the Commander of the Constabulary proper but be subject directly and solely to the command and authority of the senior American Marine Officer who is subordinate only to the President of the Republic in all matters pertaining thereto.

8. The commander of the training branch will prepare such rules and regulations as may be necessary for the proper administration, discipline and control of the Constabulary and these rules and regulations, when approved by the President of Nicaragua, will be binding on all persons who are or who may become members of the Constabulary. Such persons will not be subject to Civil Law process.

9. All officers and enlisted men of the Constabulary must first pass through the training branch and qualify by such physical, mental, moral and professional standards as the training branch commander may prescribe.

10. All replacements of either officers or enlisted men must come from the training branch.

11. Whenever the Commander of the training branch deems it necessary all officers and enlisted men of the Constabulary proper, either as individuals or as entire organizations, may be returned to the training branch and their places taken by individuals or organizations of the training branch.

12. The American Officers who have volunteered their services with the training branch will have the authority to make such inspections of the Constabulary proper as the Commander of the training branch deems desirable and necessary.

13. The procurement of all supplies for the Constabulary will be made by the Supply Officer of the training branch who will honor all reasonable and necessary requisitions from the supply officers of the Constabulary proper.

14. Such existing army supplies, buildings, grounds and other army utilities as may be considered by the Commander of the training branch necessary for the establishment and maintenance of the Constabulary are to be placed at his disposal by the Nicaraguan Government.

15. The Nicaraguan Government will appropriate in its annual budget the funds necessary for the execution of this plan, as set forth in the appendix hereof. Checks drawn against this appropriation must in each case be approved by the supply officer of the training branch.

16. All disbursements for the Constabulary accounts will be made by the supply officer of the training branch. Officers accounts may be audited not to exceed twice in one year by a competent auditing commission (which is to be selected by the American Minister to Nicaragua and the Nicaraguan Minister of Finance.) Unless the question of the correctness of the auditing of the accounts be presented within thirty days after the auditing of the accounts, no question concerning the correctness of such auditing shall thereafter be raised. If the correctness or legality of any payment cannot be satisfactorily determined by conference between the auditing commission and the Supply Officer, the matter shall be referred to the American Minister to Nicaragua and the Nicaraguan Minister of Finance, whose decision is to be final. If any account is paid in good faith and with honest intention no disallowance of such account shall be made.

17. American officers and enlisted men who are being utilized in the training branch of the Constabulary shall enjoy the privileges of free entry into Nicaragua of their personal and household effects and other supplies needed for their personal and family use.

18. Such changes in the present arrangement as may seem necessary on account of the withdrawal of the Legation Guard, or at any future time, will be made by the Nicaraguan Government in consultation with the Government of the United States.

817.1051/56 : Telegram

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

MANAGUA, March 9, 1925—6 p. m.

[Received March 10—12:21 a. m.]

57. Your 204, February 17th. The amended constabulary plan outlined in the Department's instruction number 26, February 10, 3 p. m.⁸ has not been presented to the Nicaraguan Government in the form of an official note to the Minister of Foreign Affairs but simply tendered as an unsigned memorandum direct to the Minister of Gobernacion.

It appears also that the Nicaraguan Government has been given to understand that the plan is not especially important or urgent and that the withdrawal of the Legation guard has not actually been decided upon.

The consequence has been that the unopposed efforts of the Government to vitiate the plan have been practically successful. I have requested the Government to withhold formal rejection of the present plan and to submit instead a memorandum indicating its objections. This memorandum indicates that it is not desired that the Legation guard shall have any participation in the formation of the constabulary because any plan or work effected by the marines would be provisional and because it might appear to other Spanish American states [that] although the Government of the United States desires to withdraw the marines the Nicaraguan Government is endeavoring to retain them under any pretext. Other minor objections relating to the accounting system are also pointed out.

These objections are specious. While the plan necessarily is provisional it is contemplated that the instructors mentioned [in] article 6 will arrive before the departure of the marines and such changes as they recommend could be made gradually. Latin American susceptibilities could be satisfied in brief statement by this Government of the fact that the Legation guard is leaving by September 1st and is only assisting in the organization of the constabulary in order to facilitate departure then. The other objections are points of form only and can be readily conceded. In fact amendments to articles 3, 5, 6, 7 and 8 were agreed to by Major Keyser two weeks ago.

⁸ Telegram not printed; see text of plan, *supra*.

Major Keyser informs me that if the commencement of active organization of the constabulary is delayed until the permanent instructors arrive it will not be ready to replace the marines next September and that even operating under the present plan there is barely enough time to organize an adequate force.

I respectfully recommend therefore that I be instructed by radio to present the Minister for Foreign Affairs a note embodying the plan contained in the Department's instruction 204, February 17th, with such modifications as Major Keyser and I agree upon. These changes tend to make clear the temporary nature of the participation of the marines and to adjust procedures to Nicaraguan methods and to delay the disbanding of the existing police and army forces. I should like also to be authorized to inform the President orally that the statements made in the Department's instruction number 8, January 14, 4 p. m., are still valid and that the Legation guard only will remain until [September 1] provided satisfactory progress in the organization of the constabulary is made in the meantime.

THURSTON

817.1051/56 : Telegram

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

WASHINGTON, March 11, 1925—5 p. m.

40. Your 57, March 9, 6 p. m. You may present note in form outlined in last paragraph of your telegram and you may state orally to the President that this Government has consented to the Legation Guard's remaining temporarily in Nicaragua solely in order that the officers of the guard might assist in the organization of proposed constabulary, and that if the Nicaraguan Government does not desire to proceed at once to the organization of the constabulary under a satisfactory plan this Government would no longer consider it necessary to retain the guard at Managua.

KELLOGG

817.1051/69 : Telegram

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

MANAGUA, May 15, 1925—9 p. m.

[Received May 16—2:15 p. m.]

95. The Minister for Foreign Affairs delivered to me today as an unofficial copy the following transcript of the constabulary plan as approved by Congress:

"The Senate and Chamber of Deputies of the Republic of Nicaragua, considering that by article 2 of the Convention for the Limi-

tation of Armaments signed at Washington of [on] February 7, 1923, between the Republics of Nicaragua, Costa Rica, El Salvador, Honduras and Guatemala, Nicaragua obligated itself as did the other High Contracting Parties to establish a National Guard which should cooperate with the Army in preserving public order, decree:

ARTICLE 1. Create at the expense of the State the National Guard, referred to in said convention.

ARTICLE 2. The National Guard is an institution foreign to all political influence designed to maintain social order in the triple capacity of an urban, rural and judicial police force. The Army is independent of the National Guard although in an emergency both shall cooperate in the preservation of public order in their discretion determined by the laws (article 2 of the convention).

ARTICLE 3. At its beginning the National Guard will consist of 23 officers and 392 individuals for subordinate positions all Nicaraguans under contract. The Executive power may vary this number when it considers it necessary.

ARTICLE 4. The guard will be organized, equipped and disciplined in a military fashion as an urban, rural and judicial police force as harmonized. It should be considered as a national institution entirely subordinate to the Government of the Republic for the maintenance of peace, law and order.

ARTICLE 5. The efficient education and organization of the National Guard will be effected by means of a school which will be called the School of Instruction into which all the individuals and officers destined to form the institution will previously enter. The students of the school will form the school force as distinguished from the National Guard proper. The number of students in the school will vary according to the necessities of the National Guard at the discretion of the Executive.

ARTICLE 6. In order that the experience acquired in other countries in the organization and operation of these forces may be availed of, the chief of the School of Instruction and the instructors may be Americans or of any other foreign nation but must have a knowledge of Spanish; and the Executive is authorized by the present law to sign contracts with them for the proximate time he deems necessary with the obligation that they be subject to the supreme control of the Government of the Republic and to the laws of the State.

ARTICLE 7. The chief of the School of Instruction and the instructors will exercise full and complete authority in its management and over the officers and individuals of the school force but not in the National Guard. In the latter they will have only the right to make inspection whenever the chief of the school deems it expedient in order to ascertain its progress, good service and efficiency. In order to fill vacancies or correct defects which they may observe they may propose to the Executive the change of the men and officers of the National Guard totally or in part through the medium of the Ministry of Gobernacion and police for the purpose of maintaining discipline and correction therein.

ARTICLE 8. Apart from the President of the Republic and the appropriate Minister no other authority of the State will have control in School of Instruction or over the volunteers who compose it.

ARTICLE 9. The regulations of the School of Instruction and the laws and regulations of the National Guard will be prepared by the

superior officials of the school subject principally to the provisions of this law; but both must be approved and published by the Executive power. Only in this manner will they be binding upon the personnel of the school and of the National Guard.

ARTICLE 10. The School of Instruction will be the preparatory center for all of the officers, individuals and employees of the National Guard. They must first pass through it for instruction to establish their merits and aptitudes, their physical, mental, and moral state; as must also all the substitutes for officers as well as individuals of the Guard who may be later called into service.

ARTICLE 11. The lands, buildings, equipment, articles and elements necessary to establish the School of Instruction and the National Guard will be provided by the State, the Executive power being authorized by the President to make the necessary expenditures.

ARTICLE 12. There will be a special department of provisions or supplies which will bear the name "Supply Office" attached to and organized by the Minister of Police. This office will take charge of the providing of food and other necessary supplies to the National Guard and to the School of Instruction. The Executive will regulate this office and fix the bonds to be given by those who handle funds according to their amounts.

ARTICLE 13. The expense necessary to the service of the School of Instruction and the National Guard will be authorized by their respective chiefs by the chief of the Supply Office subject to corresponding laws of the Republic and the employees of this office will be strictly obliged to keep their accounts in conformity with the laws and to present them for auditing to the Supreme Tribunal of Accounts. All expenditures must first receive the approval of the Ministry of Police.

ARTICLE 14. The general budget of the Republic will detail each year the amount or amounts necessary for the institution which the present law orders to be created according to the partial budget presented by the respective ministry.

ARTICLE 15. This law will become effective from the date of its publication in the *Gazette*.

The foregoing was referred to the President by the Chamber of Deputies on May 14th for his signature.

THURSTON

817.1051/70 : Telegram

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

MANAGUA, May 20, 1925—7 p. m.

[Received May 21(?)—3:03 p. m.]

96. My 95, May 15, 9 p. m. President Solorzano informed me Saturday that it is his intention to begin at once the organization of the National Guard. In answer to my inquiry whether, in view of the omission in the new plan of the references to American cooperation which were contained in articles 5 and 6 of the plan as pre-

sent to Congress, the Nicaraguan Government intended to forego American cooperation, the President stated that it is his desire that the National Guard be organized by American instructors and that he would have the Minister for Foreign Affairs make formal application for our assistance in a note similar to the one of March 19th, quoted in Legation's 63, March 20th, 4 p. m.⁹

Monday I received a note from the Minister for Foreign Affairs stating that in accordance with the note of March 13th from the Ministry of Foreign Affairs the Government of the United States was requested to designate the experts who should definitely organize and manage the instruction school of the National Guard. I advised the Minister for Foreign Affairs that the note of March 13th had been recalled by his Government (Legation's 63, March 20, 4 p. m.) and that communication just received did not accord with the President's statements on Saturday. The Minister then called at the Legation apparently with the purpose of endeavoring to make informal arrangements whereby the marines should begin the organization of the National Guard without formal request for their services being made. I stated to Dr. Urtecho that if his Government desired our cooperation it should formally request it and I further advised him that owing to the time which has been lost and for other reasons it was not to be regarded as certain that a request for the services of the marines would be granted. After a consultation with the President, Urtecho returned to the Legation Monday night and renewed his efforts to bring about an informal arrangement . . .

The next day I received another note from the Minister for Foreign Affairs stating that the Nicaraguan Government "accepted" the services of the marines pending the arrival of the experts. I therefore again explained to Urtecho that the omission in the new plan of all provisions for our cooperation made it impossible for his Government to accept that which no longer could be considered as proffered and repeated that if the assistance of the marines was desired it must be requested. The note was then withdrawn and a new one presented last night which contains the following requests:

"1. In accordance with the terms of the note of March 19th from this Ministry, my Government hereby requests of Your Honor's Government that the marines of the Legation guard, who recently arrived and who possess some training therefor, be directed to begin at once the organization of the school of the National Guard.

2. That according to the note just cited and the note of May 18th, Your Honor be so good as to request through the Department of State the expert instructors who will come to take definite charge of the school or training branch of the National Guard".

⁹ Telegram not printed.

Apart from all consideration connected with the unnecessary delays . . . which have characterized the entire course of this negotiation, it is my earnest conviction that based solely upon the nature of the plan as now worded we should under no circumstances associate ourselves with the organization and management of the Nicaragua constabulary. The present plan is so designed as to place absolute control over training school and constabulary proper in the hands of the Minister of Gobernacion which will result in its conversion into a strictly political agency. It is my opinion that request for the use of the marines now reluctantly made is designed principally as an emergency measure to detain the Legation guard until some other means may be found to bring about its definite retention.

I respectfully recommend therefore that the request for the services of the Legation guard be refused and that the Legation guard be withdrawn at once and that before sending American instructors the Department take such steps as may be best designed to safeguard us from being placed in the position of appearing to be responsible for the kind of constabulary which is to be formed.

THURSTON

817.1051/70 : Telegram

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

WASHINGTON, May 27, 1925—3 p. m.

66. Your 95, May 15, 9 p. m., and 96, May 20, 7 p. m. After careful consideration the Department considers it advisable to comply with the Nicaraguan Government's request for assistance in organizing the constabulary under the plan approved by the Nicaraguan Congress. The plan gives the American instructors full authority over the constabulary school and authority to inspect and make recommendations regarding the constabulary proper. The Department does not feel that it should insist on a greater degree of American control, as the ultimate control must necessarily rest with the Nicaraguan Government.

The Department is, therefore, asking the Secretary of the Navy to instruct the commander of the Legation Guard, in consultation with you, to designate qualified officers of the Guard to assist in the organization of the constabulary pending the arrival of civilian instructors to be employed under contract. It desires that you should cooperate with Major Keyser in selecting well-qualified persons for this work which will, in the nature of things, be temporary and preliminary. The Department feels that it would be inadvisable to attempt any

permanent organization of the school or the drafting of permanent regulations for its conduct until the arrival of the civilian instructors.

The Department will endeavor in the very near future to submit to the Nicaraguan Government the name of a well-qualified American with constabulary experience, who might be employed as chief instructor and who might be consulted regarding the appointment of his subordinates. Meanwhile, you may suggest that the Nicaraguan Legation at Washington be authorized to discuss with the person nominated all details regarding salary and terms of employment, which of course must be arranged by direct agreement.

The Department understands that the Navy can most conveniently withdraw the Legation Guard during the first part of August and it is therefore informing the Secretary of the Navy that there is no objection to the withdrawal of the Guard at that time. It appears that it would be very difficult to arrange transportation facilities earlier. The Department is asking the Navy to regard the plan for withdrawal as confidential until you consider it advisable to make a public announcement. . . .

KELLOGG

817.1051/74

Memorandum by the Secretary of State of a Conversation With the Nicaraguan Chargé (Tigerino), May 28, 1925

The Chargé stated that Nicaragua had passed the law for the establishment of a constabulary and asked us to give them the names of American officers who would act as instructors. I informed him that we had asked the Navy Department to give us the names of their officers.

817.1051/81 : Telegram

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

WASHINGTON, June 16, 1925—2 p. m.

70. Major Carter¹⁰ advises Department that he signed one year contract with Nicaraguan Chargé d'Affaires on June 10th. He will be "Chief of the Constabulary and of the School of Instruction of the National Guard created by the legislative decree of May 14 of the present year" and will prepare regulations for the school and for the constabulary in accord with the Nicaraguan Government. He states that he expects to sail for Nicaragua in about a week. The contract provides for the employment of four additional Ameri-

¹⁰ Calvin B. Carter, of Elgin, Texas.

can officers as assistants. Further information is being sent to you by mail.

While all arrangements have been made directly between Carter and the Nicaraguan Legation without intervention by the Department, and while the Department feels that it may contribute to the success of the new constabulary if it is regarded as a purely Nicaraguan institution and the officials are regarded from the outset as Nicaraguan employees having no connection with the United States Government, it desires that you should extend every proper assistance to Major Carter in the performance of his duties, and that you should keep the Department very fully informed regarding the progress of his work.

KELLOGG

817.1051/82 : Telegram

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

MANAGUA, July 3, 1925—10 a. m.

[Received 11 p. m.]

113. Legation's 99, June 2, 4 p. m.¹¹ The person designated by the Minister of Gobernacion to prepare the rules and regulations of the National Guard and to confer thereon with the Legation guard is General Carreles, who during the constabulary negotiations published numerous articles over his signature in the newspapers attacking the plan and especially American participation and in which he consistently referred to us as Yankees in a disparaging manner. This representative made only two requests which were immediately granted by the delivery to him on June 10th and 13th of two plans relating to the recruiting and classification of personnel. No further requests for assistance were made and no intimation was given that the services of the marines as provisional instructors were anything but unwelcome. On June 3rd orders were received by the Legation guard to prepare for withdrawal on August 3rd. On June 30 Major Carter arrived at Bluefields and on July 1st one of his assistants arrived at Corinto.

With matters in this situation the Minister for Foreign Affairs called yesterday afternoon and informed me that his Government now possesses funds for the organization of the National Guard and requests that the marines undertake the organization and training of the recruits already in Managua. I replied that with Major Carter and one assistant already in Nicaragua I had not anticipated that

¹¹ Not printed.

the services of the marines would now be requested and that while the Legation is very much occupied with the difficult task of preparing for early departure I would consult Major Keyser and the Department. Major Keyser and I strongly feel that at this late hour the marines should not be made responsible for the organization of the National Guard.

I venture respectfully to recommend that I be instructed to inform the Government that inasmuch as the chief instructor and one assistant instructor of the National Guard are now in Nicaragua and should be in Managua within a day or two and inasmuch as the Legation guard is actively engaged in preparations for departure within a very few weeks it is not deemed necessary and is furthermore impracticable for the Legation to undertake the organization of the Nicaraguan National Guard.

THURSTON

817.1051/82 : Telegram

The Acting Secretary of State to the Chargé in Nicaragua (Thurston)

WASHINGTON, July 7, 1925—2 p. m.

78. Your 113, July 3, 10 a. m. The Department approves of your advising the Minister of Foreign Affairs that in view of the contemplated departure of the Legation Guard on August 3 it is impracticable for the marines to undertake the organization and training of the Nicaraguan National Guard at this late date.

You may remind him that this Government has repeatedly declared its readiness to assist the Nicaraguan Government in connection with the organization of the constabulary. It did so in November 1923, and again in January of this year, when at the urgent request of the Nicaraguan Government it consented that the Legation Guard should remain in Nicaragua for the time being. On this latter occasion, however, this Government made it clear that it was acceding to the Nicaraguan Government's request only upon the definite understanding that the work of organizing the police force would be immediately undertaken and energetically prosecuted in accordance with a suitable plan. Nearly 6 months have elapsed during which the consideration of a plan for a constabulary met with frequent and apparently unnecessary delays, and during which the Nicaraguan Government showed little interest in the proffered assistance of the officers of the Legation Guard. It therefore appeared unnecessary to retain the Legation Guard longer in Managua.

GREW

124.1718/139 : Telegram

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

MANAGUA, August 1, 1925—4 p. m.

[Received 11:15 p. m.]

126. The Legation guard left Managua this morning and arrived at Corinto this afternoon.

THURSTON

EFFORTS BY THE UNITED STATES TO PRESERVE CONSTITUTIONAL GOVERNMENT IN NICARAGUA

817.00/3303 : Telegram

The Minister in Nicaragua (Eberhardt) to the Secretary of State

MANAGUA, August 29, 1925—5 p. m.

[Received August 30—2:51 a. m.]

134. Last night at about 11 o'clock General Alfredo Rivas, commander of the Loma garrison, sent a newly-armed nondescript body of troops under a subordinate officer to the International Club where a reception was being held in honor of Doctor Leonardo Arguello, Minister of Public Instruction. These troops forcibly carried off to the Loma as prisoners Doctor Roman y Reyes, Minister of Hacienda, two editors and several other men of alleged strong Liberal tendencies who were further alleged to be unduly influencing and coercing President Solorzano.

General Rivas states he thus forestalled a revolution which he claims was planned by the Liberals for next week. By his action he said that he had avoided bloodshed and had aided rather than embarrassed the President. He demanded the removal of several Liberal members of the Cabinet, mostly under secretaries, and their replacement by conservative Republicans. In this demand the President has apparently acquiesced. Roman y Reyes is to be superseded by Adan Cárdenas as Minister of Hacienda, and the Ministry of War is to be annexed to the Presidency.

Business and communication are interrupted and considerable tension prevails but the entire affair seems in a [*on the*] way to an early satisfactory settlement. There has been no bloodshed though many of the guests at the reception were terrorized by the firing of numerous shots into the air and by the shouts of the armed men who carried away the prisoners referred to. The Legation will keep the Department informed of further developments. Written report follows.¹²

EBERHARDT

¹² Not printed.

817.00/3307 : Telegram

The Minister in Nicaragua (Eberhardt) to the Secretary of State

MANAGUA, September 1, 1925—2 p. m.

[Received 9 : 55 p. m.]

135. Referring to the Legation's No. 134, August 29, 5 p. m. Martial law declared in Managua yesterday. Railroad communication resumed, otherwise situation remains unchanged.

EBERHARDT

817.00/3308 : Telegram

The Minister in Nicaragua (Eberhardt) to the Secretary of State

MANAGUA, September 3, 1925—6 p. m.

[Received September 4—2 : 45 p. m.]

138. Dominated by his wife's family, threatened by the Conservatives under Emilieno Chamorro who is now in Managua, urged by the Liberals to assert his authority, President Solorzano has vacillated for a week between offering his resignation or demanding the resignation of his brother-in-law, General Alfredo Rivas, who was responsible for the International Club incident and who now controls the garrison. Today Rivas had an interview with President Solorzano at the President's home where the former appeared under guard of 50 armed men with two machine guns which were trained on the house during the interview. Rivas promises to surrender the Loma one week from today when it is believed that he will be given some appointment which will carry him from Nicaragua.

Politics have entered largely and bitterly into the situation, the Conservatives being generally considered as responsible for much of the trouble.

Thinking men of all parties appear to feel that there is no danger of immediate revolution but that unless Rivas is soon relieved and the President assumes firmer authority anarchy is likely to prevail throughout the country.

EBERHARDT

817.00/3309 : Telegram

The Minister in Nicaragua (Eberhardt) to the Secretary of State

MANAGUA, September 6, 1925—7 p. m.

[Received September 7 (?)—2 : 41 p. m.]

139. Situation described in last paragraph my telegram of September 3, 6 p. m. remains unchanged except that President Solorzano's

mental and physical condition is causing anxiety and there is also a feeling that General Rivas will not defend [*surrender?*] the Loma fortress in good faith on the 10th.

If Solorzano should for any reason become separated from the Presidency, revolution and anarchy are almost certain to follow since the Conservatives are determined to prevent a Liberal from succeeding him. It is believed that the appearance at Corinto at this time of an American war vessel would have a stabilizing effect.

EBERHARDT

817.00/3310 : Telegram

The Minister in Nicaragua (Eberhardt) to the Secretary of State

MANAGUA, September 7, 1925—8 p. m.

[Received September 8—10:08 a. m.]

140. President Solorzano has just requested me to ask the Department to be good enough to despatch an American war vessel to Bluefields and another to Corinto immediately.

EBERHARDT

817.00/3314 : Telegram

The Minister in Nicaragua (Eberhardt) to the Secretary of State

MANAGUA, September 13, 1925—2 p. m.

[Received 11:27 p. m.]

142. Captain Wyman of the *Denver* and three aides arrived in Managua today. The President expresses grateful appreciation. Situation proceeding satisfactorily.

EBERHARDT

817.00/3317 : Telegram

The Minister in Nicaragua (Eberhardt) to the Secretary of State

[Extract]

MANAGUA, September 21, 1925—11 a. m.

[Received 4:50 p. m.]

145. War vessels withdrew last night. There is no doubt that their presence extricated President Solorzano from a difficult position and stopped temporarily at least the tendency toward anarchy and revolution already commenced by marauding bands.

EBERHARDT

817.00/3333 : Telegram

The Minister in Nicaragua (Eberhardt) to the Secretary of State

MANAGUA, October 25, 1925—3 p. m.

[Received October 26—12:40 a. m.]

150. General Emiliano Chamorro took charge of the Loma fortress at about 4 o'clock this morning without apparent opposition. He informed me by telephone at 7 o'clock that his express purpose was to drive the Liberals from the Cabinet and to restore the Conservative Party to that power which it enjoyed before the recent "fraudulent elections." He wishes Solorzano to remain as President and himself to be appointed Minister of War or to have complete control of arms.

Adolfo Diaz as spokesman for Chamorro, various Liberal leaders and I have been in conference with the President all morning. The Liberals are not disposed to retire from the Cabinet even under Chamorro's threat of anarchy and revolution.

Chamorro's armed men are firing in the streets and are said to have killed two men in front of the President's Palace during our interview.

They threaten to take the President's house before night and to control the entire situation by force of arms if necessary. The President continuing to vacillate has expressed the desire to rest and is inclined to break the pacts¹³ to prevent further bloodshed and anarchy.

The constabulary occupies precarious position being surrounded by armed Chamorristas vastly outnumbering them. The constabulary itself is inadequate. I have requested the President to furnish constabulary with machine guns and additional arms and ammunition.

I have been in communication with General Chamorro and have advised him that this Legation had no other course to pursue than to support the Constitutional Government and that any government assuming power by force would not be recognized by the Government of the United States.

EBERHARDT

817.00/3333 : Telegram

The Secretary of State to the Minister in Nicaragua (Eberhardt)

WASHINGTON, October 26, 1925—4 p. m.

101. Your 150, October 25, 3 p. m. Your action approved. Please keep Department fully informed.

KELLOGG

¹³ Agreements between the Conservative and Liberal Parties in the election of 1924.

817.00/3334 : Telegram

The Minister in Nicaragua (Eberhardt) to the Secretary of State

MANAGUA, October 26, 1925—10 p. m.

[Received October 27 (?)—1:55 p. m.]

153. President Solorzano has agreed to virtually all the demands of General Chamorro, whom he has joined in a signed document,¹⁴ agreeing (1) that the coalition pacts shall be broken and be considered as of no value henceforth; (2) that the Government be more entirely conservative; (3) that full amnesty be granted to all participants in the recent military operations; (4) that the Government pay General Chamorro 10,000 cordobas for the expenses of this uprising, besides paying the troops; (5) that General Chamorro be made General in Chief of the Army.

Chamorro is in complete control having today received all [demanded] from the President. Chamorro then withdrew troops from the streets. There have been about 20 casualties. Chamorro is sending 500 troops to Leon tonight against the advice of the President and prominent men of both parties. It is feared that serious trouble will develop then.

Solorzano is still President but can hardly be expected to continue in office long.

Managua is quiet tonight but there is every indication that revolution must develop as soon as the Liberals can arm themselves.

Complete change of the Cabinet seems imminent.

EBERHARDT

817.00/3342 : Telegram

The Minister in Nicaragua (Eberhardt) to the Secretary of State

MANAGUA, November 7, 1925—9 a. m.

[Received 2:05 p. m.]

163. General Chamorro states that he is sending additional troops to Leon to guard against alleged tendency of the Liberals to revolt and he admits that his troops are resorting to forced loans. The Liberals claim that stores are being sacked, merchants are being imprisoned, and a peace-loving populace provoked to civil war, all in order to force resignation of Vice President Sacasa, who refuses, is in hiding and whose life they claim has even been threatened by the Conservatives.

There is no doubt that Chamorro and his followers want Sacasa to resign. Whether or not he resigns, matters have now become so seri-

¹⁴ Document signed on October 26, about noon (file No. 817.00/3349).

ous that it seems only a question of the probable few months necessary for the Liberals to secure army when revolution will follow.

Our best information is that outside of the Leon district the country is reasonably quiet.

EBERHARDT

817.00/3343 : Telegram

The Minister in Nicaragua (Eberhardt) to the Secretary of State

MANAGUA, November 9, 1925—6 p. m.

[Received 8:47 p. m.]

165. Minister of Honduras advises me that Vice President Sacasa fleeing from Leon has arrived at La Union, Honduras.

EBERHARDT

817.00/3346 : Telegram

The Minister in Nicaragua (Eberhardt) to the Secretary of State

MANAGUA, November 17, 1925—8 a. m.

[Received 12:17 p. m.]

169. Prior to his flight from Nicaragua Vice President Sacasa addressed a note to me from Leon but which has just been received from Salvador in which he asks that the Department be advised that since he had been persecuted in his capacity of Vice President to a point where a verbal ultimatum to Liberal leaders threatening his life had been made, he protested to the Department against such procedure as being in violation of article 2 of the convention signed in Washington on the initiative of, and with the cooperation of the United States Government.¹⁵ The foregoing discloses no new point of view but it is submitted in mere fairness to the Vice President as complying with his request.

The Solorzano government still functions under all the changes of October 26th already telegraphed. In the opinion of this Legation, these internal dissensions in Nicaragua have not reached the stage which requires any change in attitude thus far persistently followed by this Legation of carefully watching all developments and keeping the Department promptly and fully advised.

EBERHARDT

¹⁵ See "General Treaty of Peace and Amity" in *Conference on Central American Affairs, Washington, December 4, 1922-February 7, 1923* (Washington, Government Printing Office, 1923), p. 287.

817.00/3354 : Telegram

The Secretary of State to the Minister in Nicaragua (Eberhardt)

[Paraphrase]

WASHINGTON, December 9, 1925—7 p. m.

114. Should President Solorzano resign, the Government of the United States would accord recognition to any successor who had been elected or appointed by constitutional means. However, the Government of the United States would not extend recognition to any government which had come into power by violent or unconstitutional means. To make a declaration at this late date and under existing circumstances that the last elections were null and void would be a course of very doubtful legality, and one which the Department could not approve.

The policy of this Government with respect to the recognition of new Central American governments has been stated frequently and publicly. It is a policy in harmony with the expressed policy of these nations themselves based on the General Treaty of Peace and Amity which was signed at Washington, February 7, 1923.

This Department is strongly of the opinion that the continued and firm application of this policy on the part of all the nations of Central America as well as on the part of the United States—which ought to set an example for them—is necessary to promote orderly political growth in Central America and to discourage that tendency to resolve domestic political questions by unconstitutional measures and force, which has brought about such deplorable results.

The Department, therefore, cannot consistently act other than in accordance with the General Treaty of Peace and Amity. Nor can it deviate from the clear course which this policy may compel it to take.

It is the Department's desire that you should make plain its views to any political leaders who may appear to be under any misapprehension regarding them and to take special pains to make certain that its attitude is thoroughly understood before the opening of Nicaraguan Congress.

KELLOGG

817.00/3358 : Telegram

The Minister in Nicaragua (Eberhardt) to the Secretary of State

MANAGUA, December 14, 1925—10 a. m.

[Received 1:13 p. m.]

179. This Legation, admitting that the United States as a mark of courtesy might possibly return Vice President Sacasa to Nicaragua

on a gunboat, has persistently discouraged an idea apparently held by many Nicaraguans that in case of President Solorzano's resignation and Vice President Sacasa's recall to the Presidency the United States Government would use armed force if necessary to permit Sacasa to assume and to discharge the duties of the Presidency.

It would prove most helpful to this Legation in its relations with the Congress which convenes tomorrow if the Department could see its way clear to issue a specific instruction on this point.

EBERHARDT

817.00/3358 : Telegram

*The Acting Secretary of State to the Minister in Nicaragua
(Eberhardt)*

[Paraphrase]

WASHINGTON, *December 14, 1925—8 p. m.*

115. Legation's telegram 179 of December 14. The Government of the United States would not employ its armed forces to place Sacasa in office should Solorzano resign the Presidency. And while the United States would not recognize the usurping government, yet it is under no obligation to oppose such a regime with force and to put a constitutional government in office. You should not, however, say anything to members of Congress which might predispose the followers of Chamorro to seize the Government even at the risk of not being recognized. It should not be necessary to elaborate on the Department's policy as described in its telegraphic instruction No. 114 dated December 9, 7 p. m. Nor should it be necessary to give out any specific statement to the effect that the Government of the United States does not contemplate using armed forces or interfering in the domestic affairs in Nicaragua. Should anyone put a direct question to you you might reply that our attitude in favor of constitutional government is well known but that you are unable to state definitely what the Department's attitude would be in a hypothetical case arising in the future. However, if you believe it necessary, impress upon the political leaders of Nicaragua that we hope that peace and tranquillity will continue in the Republic and that questions now disturbing the country may be resolved to the satisfaction of all, but that Nicaragua's political problems must be solved by the Nicaraguan people themselves.

The Department does not believe it wise to return Sacasa on a war vessel. That might create an embarrassing precedent. Furthermore, it would most likely be misunderstood because of the present political situation in the Republic of Nicaragua.

GREW

817.00/3361 : Telegram

The Minister in Nicaragua (Eberhardt) to the Secretary of State

MANAGUA, December 18, 1925—4 p. m.

[Received December 19—6:50 p. m.]

184. Certain prominent local lawyers dissenting regarding its legality, several are nevertheless recommending that a constituent assembly be called for the ostensible purpose of revising the Constitution but actually to effect an entire change of government.

In this, just as in the recently proposed nullification of the last elections, the firm opposition of this Legation has thus far prevailed.

. . . Chamorro continues to profess unwillingness to set up a government which might fail recognition of the United States. Furthermore he repeatedly asks me to recommend a solution of the local problems which might prove satisfactory to the Department. My reply has just as persistently been that no government founded on violence could [receive?] recognition by the United States and to receive such recognition the Nicaraguans themselves, keeping within the Constitution, must apply their own remedies to their own political problems.

Claiming to have acted legally Congress has this week disqualified eleven Liberal and Conservative Republican members who they claim were forcibly and therefore illegally seated last year and they threaten to remove three Liberal members from the Supreme Court. Charges against Sacasa of conspiracy have been telegraphed to him through the Legation and he has been given 25 days within which to return and answer such charges failing which it seems to be their intention to declare the Vice Presidency vacant, secure Solorzano's resignation, and proceed to elect successors constitutionally.

EBERHARDT

817.00/3361 : Telegram

The Secretary of State to the Minister in Nicaragua (Eberhardt)

[Paraphrase]

WASHINGTON, December 21, 1925—9 p. m.

120. Legation's 184 dated December 18, 4 p. m. Department approves your action in discouraging the calling of a constituent assembly to bring about a change of government.

The action of Congress in disqualifying 11 of its members is of concern to the Department. Is this not tantamount to at least a partial nullification of the last elections? The Department desires your views on this subject. Such action might bring about the formation of an unconstitutional Congress whose acts like the appointment

of *designados* might be questioned as to their legal validity. In the opinion of the Department the followers of Chamorro may subject themselves to serious criticism, because of the action taken against Sacasa. According to the Department's understanding, Sacasa is the Constitutional Vice President and merely sought refuge outside the Republic when armed troops without warrant were dispatched to arrest him. This action is greatly deprecated by the Government of the United States and if continued might well be considered *prima facie* evidence of unconstitutional action by those responsible for it. You may make this clear.

The following is for your own information. Señor Sacasa as Vice President requested an interview today to pay his respects. I received him and after the usual complimentary remarks he attempted to explain political matters. I replied that it was my invariable custom not to discuss the political questions of a foreign nation with its citizens unless the latter were introduced by the diplomatic representative of that nation; that I had received him in his capacity of Vice President and because he merely desired to pay his respects; and that I must decline to discuss with him the political situation in his country. I then stated that I perceived no objection to his expressing his views informally to the Chief of the Division of Latin American Affairs, Mr. Francis White. The latter then explained to Señor Sacasa the policy of the United States of lending our moral support to the Constitutional Government and extending our efforts in behalf of orderly procedure in Central America. However, Mr. White made it clear that this did not mean that while the United States would not recognize the unconstitutional government it would use force to place in office the Constitutional Government: in other words, to place Señor Sacasa in the Presidency should President Solorzano resign and some other person unconstitutionally usurp the office. Mr. White also told him that although the Department desired to render any proper aid to the republics of Central America in the solution of their political problems nevertheless it believed that the regeneration should come from within through a desire of the people for constitutional government; that although the Department would lend its support to any element seeking this end yet it would not assume the responsibility of seeing that this is accomplished. To be more specific, as long as the people of Central America feel that the "last word" comes from the Department the attainment of political stability will be postponed; the sooner there is created among the citizens of Central American countries a feeling of responsibility which shall give rise to the realization that they themselves must work out their own destiny the sooner will orderly government develop in those countries.

817.00/3363 : Telegram

The Minister in Nicaragua (Eberhardt) to the Secretary of State

[Paraphrase]

MANAGUA, December 24, 1925—11 a. m.

[Received 6:30 p. m.]

186. Your telegram 120 December 21, 9 p. m. The plans for nullifying the last elections and for convoking a constituent assembly have been abandoned for the present at least. However plans for disqualifying members of Congress have proceeded in spite of the fact that I repeatedly expressed the opinion that this would be tantamount to at least a partial nullification of the last elections. President Solorzano reaffirms his intention to resign in the near future. The plan which many including myself considered least dangerous and the one which Chamorro professed for several weeks he had tacitly agreed to—namely, to name Diaz as *designado* in case Solorzano should resign—was replaced rather suddenly today with another: (1) Chamorro to be nominated at once to fill a vacancy in the Senate to be created through the resignation of a friend; (2) Chamorro to be elected Senator at the regular election time on January 3; (3) Chamorro to be appointed *designado* during the week following or on January 11. The highest legal talent has recommended this and today Chamorro expressed himself as inclined to take this advice regardless of the opinion which I frankly gave him that were he to become President in this way, or in any other way, and especially within three months of his armed intimidation of President Solorzano, that step would be of such doubtful legality that the Government of the United States would almost certainly feel compelled to withhold recognition.

EBERHARDT

BOUNDARY DISPUTE WITH COLOMBIA

(See volume I, pages 431 ff.)

NORWAY

ARRANGEMENT BETWEEN THE UNITED STATES AND NORWAY GRANTING RELIEF FROM DOUBLE INCOME TAX ON SHIPPING PROFITS¹

811.512357Shipping/48

The Norwegian Minister (Bryn) to the Secretary of State

WASHINGTON, November 26, 1924.

SIR: By the note which I had the honor to address to the Acting Secretary of State on February 28, 1922,² and Your Excellency's note of November 14, 1922,³ it was established that reciprocal exemption of income and excess and war profits taxes existed for a non-resident Norwegian or Norwegian corporation in the United States, and for a non-resident American or American corporation in Norway, with regard to income consisting exclusively of earnings derived from the operation of ships under their respective flags; see Norwegian Taxation Laws of August 18, 1911, and the United States Revenue Act of 1921, section 213(b) (8).

By new taxation laws enacted in Norway on August 11, 1924, an amendment has been made to the exemption provisions of the laws of August 18, 1911. I hereby enclose a copy of the new laws⁴ and a translation into English of the amended provisions according to which persons, companies and corporations belonging in a foreign country are exempt from taxes on property in and income from ship[s] engaged in traffic on a Norwegian port or between Norwegian ports and from taxes from income arising from the sale of tickets for the transportation of persons out of the kingdom; provided that Norwegian persons, companies and corporations are exempt in the country in question from taxes on corresponding activities.

By the new law provisions, the reciprocal exemption of income and excess and war profits taxes in Norway and the United States with regard to income derived from the operation of ships under their respective flags is reaffirmed.

Accept [etc.]

H. BRYN

¹ For previous correspondence, see *Foreign Relations*, 1923, vol. II, pp. 635 ff.

² *Foreign Relations*, 1923, vol. II, p. 635.

³ *Ibid.*, p. 636.

⁴ Not printed.

[Enclosure]

Translation of following provisions of the Norwegian Laws of August 11, 1924, amending Article 15 in fine of the Law of Taxation for the Country Communities, and Article 10 in fine of the Law of Taxation for the Cities of August 18, 1911, which two Law Provisions are identical:

“Persons, companies and corporations belonging in a foreign country are exempt from taxes on property in and income from ship[s] engaged in traffic on a Norwegian port or between Norwegian ports and from taxes on income arising from the sale of tickets for the transportation of persons out of the kingdom; provided that Norwegian persons, companies and corporations are exempt in the country in question from taxes on corresponding activities. If this be not the case, the King can decide that foreign persons, companies and corporations shall pay taxes on property and/or income on activities as mentioned. In so far as sale of tickets for transportation of persons out of the kingdom is concerned, this does not apply but when the sale is effected through an agent or commissioner under the Law on Emigration of May 22, 1869, see Law of June 5, 1897, and Law No. 1 of September 16, 1921. The King will also issue regulations concerning the extent of the taxation and the assessment and collection of the taxes.”

811.512357Shipping/49

The Secretary of State to the Norwegian Minister (Bryn)

WASHINGTON, January 23, 1925.

SIR: I have the honor to refer to your note of November 26, 1924, concerning the new taxation laws enacted in Norway on August 11, 1924, which, in your opinion, reaffirm the reciprocal exemption of income and excess and war profits taxes in Norway and the United States with regard to income derived from the operation of ships under their respective flags.

It appears from the enclosures transmitted with your note that the Norwegian laws of August 11, 1924, in translation, provide in part as follows:

“Persons, companies and corporations belonging in a foreign country are exempt from taxes on property in and income from ship[s] engaged in traffic on a Norwegian port or between Norwegian ports and from taxes on income arising from the sale of tickets for the transportation of persons out of the kingdom; provided that Norwegian persons, companies and corporations are exempt in the country in question from taxes on corresponding activities. . . .”⁵

⁵ Omission indicated in original.

I have the honor to inform you that it has been held by the appropriate authorities of this Government that the provision of the Norwegian Laws of August 11, 1924, above quoted, satisfies the equivalent exemption provision of Section 213 (b) (8) of the Revenue Act of 1924, and that, therefore, the income of a non-resident alien or foreign corporation, which consists exclusively of earnings derived from the operation of a ship or ships documented under the laws of Norway, is exempt from Federal income taxes imposed by the Revenue Act of 1924.

Accept [etc.]

CHARLES E. HUGHES

811.512357Shipping/50

The Norwegian Minister (Bryn) to the Secretary of State

WASHINGTON, March 24, 1925.

SIR: In the note which Your Excellency's predecessor was good enough to address me on January 23, 1925, it was stated that the appropriate authorities of the Government of the United States had held that the provisions of the Norwegian laws of August 11, 1924, satisfy the equivalent exemption provision of Section 213 (b) (8) of the Revenue Act of 1924, and that, therefore, the income of a non-resident alien or foreign corporation, which consists exclusively of earnings derived from the operation of a ship or ships documented under the laws of Norway, is exempt from Federal income taxes imposed by the Revenue Act of 1924.

In reply to Mr. Hughes' note I have been authorized by my Government to confirm to Your Excellency the existence of reciprocity under the above mentioned Norwegian and American laws and that, therefore, persons, companies and corporations belonging in the United States of America are exempt in Norway from taxes on property in and income from a ship, or ships, documented under the laws of the United States, engaged in traffic on a Norwegian port or between Norwegian ports, and from taxes on income arising from the sale of tickets for the transportation of persons out of the Kingdom of Norway.

Accept [etc.]

H. BRYN

PANAMA

STATUS IN THE CANAL ZONE OF DIPLOMATIC AND CONSULAR OFFICERS ACCREDITED TO PANAMA

702.0011f/10

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

No. 388

PANAMA, *February 25, 1924.*

[Received March 12.]

SIR: I have the honor to inform the Department that the Legation has received a communication from the Acting Governor of the Panama Canal with respect to the question of permitting foreign consuls accredited to the Republic of Panama to exercise their functions in the Canal Zone without the issuance of an exequatur by the United States.

It seems to have been the understanding of the Canal Administration that in accordance with the Department's letter to the Secretary of War of October 13, 1910¹ and its circular note of June 28, 1905,² consular officers of foreign governments officially recognized by the Republic of Panama would be permitted to exercise their consular functions within the Canal Zone without specific action of some kind on the part of the United States Government.

However, it has been learned that during a recent informal discussion between a representative of the Department and the Panama Canal office in Washington, this question arose and the statement was made that the Department for some time past had requested that foreign consuls exercising consular functions in the Canal Zone should do so under exequatur issued by the United States Government. This statement no doubt referred to the note of February 17, 1921 which the Department sent to the various representatives of foreign nations in Washington,³ in which it was requested that thereafter an additional commission addressed to the President of the United States be issued to all consuls who may be appointed or assigned to the Canal Zone and be presented to this Government with the request for the exequatur in accordance with customary procedure.

¹ Not printed.

² *Foreign Relations*, 1905, p. 6.

³ See letter from the Secretary of State to the Secretary of War, Apr. 2, 1924, *infra*.

The Canal Zone authorities have informed the Legation that until formal instructions from the Department are received contradicting those given by Mr. Adee ⁴ in his letter of October 13, 1910, referred to above, the present policy of permitting consular officers to perform their functions within and with reference to the Canal Zone without the issuance of an exequatur will be continued.

The Legation has informed the Governor's Office that in view of the fact that this question will most probably be taken up and settled in the Treaty Negotiations,⁵ it is thought that they are justified in continuing their present practice, in as much as it would be inadvisable to bring the matter up for discussion with the Panaman Government until it is definitely settled by the Treaty.

In this connection, it might be advantageous if some definite understanding could be reached concerning the status, in the Canal Zone, of Diplomatic as well as Consular officials who are accredited to the Republic of Panama. The question has arisen upon several occasions as to whether or not such officials are entitled to diplomatic immunity in the Canal Zone, and more recently the question has come up as to whether or not a Secretary of this Legation can be called upon for Jury duty in the Canal Zone Courts.

It is thought that it would be advisable if a ruling could be made concerning the status, in the Canal Zone, of our own Diplomatic Officers as well as those of other Governments who are exercising their functions in the Republic of Panama, but the Legation has avoided bringing up the question for fear of involving, in some way, the sovereignty of the United States over the Canal Zone. The Canal Zone authorities appear to be in doubt as to the course which they should pursue, especially as regards Consuls.

It is therefore respectfully requested that some sort of ruling be made which can be used as a basis for definitely determining all of these matters.

I have [etc.]

J. G. SOUTH

702.0011f/11a

The Secretary of State to the Secretary of War (Weeks)

WASHINGTON, April 2, 1924.

SIR: Under date of February 17, 1921, the following third person circular note was addressed to the diplomatic representatives in Washington of all foreign governments having consular officers who, in accordance with the practice outlined in a previous circular, dated June 29 [28], 1905,⁶ a copy of which was transmitted to your De-

⁴ Alvey A. Adee, Second Assistant Secretary of State.

⁵ See *Foreign Relations*, 1924, vol. II, pp. 521 ff.

⁶ *Ibid.*, 1905, p. 6.

partment by a letter dated June 30, 1905,⁷ had up to that time been permitted to exercise their functions in the Panama Canal Zone without being required to obtain an exequatur from the United States, provided proper recognition had been accorded them by the Government of the Republic of Panama:

“The Secretary of State presents his compliments to the
., and has the honor to state that the Government of the United States believes it to be desirable that foreign consuls exercising consular functions in the Isthmian Canal Zone should do so under exequaturs issued by the Government of the United States. It is requested, therefore, that hereafter an additional commission, addressed to the President of the United States, be issued to all consuls of the Government who may be appointed or assigned to the Canal Zone, and be presented to this Government with the request for the exequatur in accordance with the customary procedure.”

Through an apparent oversight on the part of this Department the contents of the foregoing circular were not formally communicated to your Department, and it is therefore not unlikely that certain consular officers of foreign governments stationed in the Republic of Panama have been allowed under the former arrangement to perform consular functions in the Canal Zone. It appears, however, that the majority of such officers have been granted exequaturs by this Government upon the application therefor of their respective governments.

When the circular note of February 17, 1921, was brought to the attention of the Government of Panama, the latter strongly contested the right of the United States to issue exequaturs to foreign consular officers in the Canal Zone, arguing that Panama still retained titular sovereignty over the Zone and that the right asserted by the United States was not one necessary for the construction, operation, maintenance, sanitation or protection of the Canal.

The Panaman Government was informed that the action of the United States in the premises was prompted by the necessities incidental to the proper operation of the Canal and that ample authorization therefore was contained in Article III of the Treaty of November 18, 1903,⁸ which granted to the United States all the rights, power and authority with respect to the Canal Zone which the United States would possess if it were sovereign over that territory.

After an offer to submit the question to international arbitration had been rejected by this Department on the ground that the language of the Treaty was clear on the point, the Panaman Government advised all foreign governments maintaining consular representatives

⁷ Not printed.

⁸ *Foreign Relations*, 1904, p. 543.

in the Republic of Panama that it would withdraw recognition from any such officers who secured exequaturs from the Government of the United States for use in the Canal Zone.

The matter is clearly one which involves the exercise of sovereign rights in the Canal Zone in regard to which the United States Government has consistently maintained the position that there can be no departure from the provisions of the Treaty. It appears to be desirable that this position should be affirmed by the United States at the present juncture, in view of its possible beneficial effect on the course of the treaty negotiations now in progress between commissions representing the two countries. I would, therefore, suggest that you bring the circular note of February 17, 1921, to the attention of the Governor of the Canal Zone, to the end that the system outlined therein may be enforced with respect to all consular officers who were not at that time permitted to perform their functions in the Canal Zone.⁹

I have [etc.]

CHARLES E. HUGHES

702.0011f/10

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

No. 181

WASHINGTON, April 29, 1924.

SIR: The receipt is acknowledged of your despatch No. 388, dated February 25, 1924, at the close of which you state:

"It is thought that it would be advisable if a ruling could be made concerning the status, in the Canal Zone, of our own Diplomatic Officers as well as those of other Governments who are exercising their functions in the Republic of Panama, but the Legation has avoided bringing up the question for fear of involving, in some way, the sovereignty of the United States over the Canal Zone. The Canal Zone authorities appear to be in doubt as to the course which they should pursue, especially as regards Consuls.

"It is therefore respectfully requested that some sort of ruling be made which can be used as a basis for definitely determining all of these matters."

With regard to the diplomatic officers of the United States accredited to the Republic of Panama the Department is of the opinion that such officers have the same status with respect to the Canal Zone as to any other territory over which the United States exercises jurisdiction.

Respecting diplomatic officers of foreign governments accredited near the Government of Panama you are informed that a review of the authorities on international law has failed to reveal a satisfactory

⁹ The circular note of Feb. 17, 1921, was published by direction of the Acting Governor of the Panama Canal at Balboa Heights, C. Z., Apr. 9, 1924.

definition of their status in the territory of the Canal Zone. It would seem, however that their status might be regarded as analogous to that of a diplomatic envoy traveling through the territory of a third state en route to his post. In the latter case, since the institution of legation is a necessary one for the intercourse of states and is firmly established by international law, there ought to be no doubt whatever that such a third state must grant the right of innocent passage (*jus transitus innocui*) to the envoy, provided that it is not at war with the sending or receiving state. The United States asserts that, according to the law of nations a diplomatic officer is entitled to a right of transit to his post by sea, or through the national domain, whether land or water, of a state other than that to which he is accredited. It is not contended, however, that this right embraces one of sojourn in such state, or that the sovereign thereof may not prescribe the route of transit. While evidence is wanting that states generally have as yet agreed to yield rights of jurisdiction over diplomatic officers not accredited to them and passing through their territories, it is not unreasonable to claim for such individuals freedom from petty annoyance whether in the form of criminal prosecution for minor offenses or of civil suits of trivial importance.

For your further information and guidance, it may be stated that consular officers as such, not being diplomatic officers, cannot claim as of right the privileges and immunities accorded the latter. Consular officers do, however, enjoy certain rights and privileges derived from international law and treaties. A consular officer may reasonably claim inviolability for the archives and official property of his office. By various treaties, the inviolability of the consular offices and dwellings is expressly secured. This does not imply, however, that a consular dwelling may be used as an asylum.

In the absence of treaty, a consular officer may justly claim for himself and his office those rights which are accorded by international law. He may also claim those privileges which are accorded by the state of his sojourn to consuls of other states, except so far as they rest upon treaties which through lack of conventional arrangement with this country he is not entitled to invoke.

Consular officers do not enjoy exemption from local jurisdiction. The territorial sovereign is not obliged to yield so great a privilege. In the absence of treaty, it is expected that that sovereign, in the matter of service of process or the taking of testimony, or otherwise, will exercise its rights of jurisdiction in such a manner as to cause the least possible interference with the necessary exercise of the consular function.

The status of foreign consular officers in the Panama Canal Zone, in so far as concerns the performance of their functions in that terri-

tory, forms the subject of the following circular addressed by the Department on February 17, 1921, to foreign Embassies and Legations in Washington:

"The Secretary of State . . . has the honor to state that the Government of the United States believes it to be desirable that foreign consuls exercising consular functions in the Isthmian Canal Zone should do so under exequaturs issued by the Government of the United States. It is requested, therefore, that hereafter an additional commission, addressed to the President of the United States, be issued to all consuls of the . . . Government who may be appointed or assigned to the Canal Zone, and be presented to this Government with the request for the exequatur in accordance with customary procedure."

Note has been taken of the reference in your despatch under acknowledgment to the foregoing circular and of your statement regarding your conversations with the Canal Zone authorities concerning its present enforcement by the latter. For your information in this connection there are enclosed herewith copies of correspondence between the Department and the War Department, relating to the subject, from which you will note that the Department has considered it desirable that the system of recognizing foreign consuls in the Canal Zone, outlined in the before mentioned circular of February 17, 1921, should be put into force immediately. The reasons which prompted the Department to take this action are set forth in its letter to the Secretary of War, dated April 2, 1924, a copy of which accompanies this instruction.¹⁰

I am [etc.]

CHARLES E. HUGHES

702.0011f/26

The Secretary of State to the Secretary of War (Weeks)

WASHINGTON, January 3, 1925.

MY DEAR MR. SECRETARY: I have received your letter of December 30, 1924,¹¹ relating to the failure of a number of foreign consular officers functioning in the Panama Canal Zone to present exequaturs issued by the Government of the United States.

Since it appears that all consular officers exercising their functions in the Canal Zone were advised June 3, 1924,¹² that they should obtain United States exequaturs prior to January 1, 1925, it would seem that sufficient time had been allowed them within which to comply with this regulation. I desire, therefore, to express my approval of the procedure suggested by the Acting Governor of the Canal in his

¹⁰ Letter printed *supra*.

¹¹ Not printed.

¹² Through a circular letter published by the Governor of the Panama Canal at Balboa Heights, June 3, 1924.

telegram of December 27, 1924,¹³ wherein he proposes to issue a notice informing foreign consular officers that only those possessing United States exequaturs will be regarded as authorized to transact consular business in the Canal Zone after January 1, 1925.

I deem it advisable, however, that an exception be made in the proposed notice to cover the cases of such consular officers as may have obtained the provisional recognition of this Government.

I am [etc.]

CHARLES E. HUGHES

702.0011f/27

The Secretary of War (Weeks) to the Secretary of State

WASHINGTON, January 20, 1925.

MY DEAR MR. SECRETARY: I beg to refer to previous correspondence with your Department relative to the issuance of exequaturs by the Government of the United States to foreign consuls for the exercise of consular functions in the Canal Zone, particularly to your letter of January 3, 1925, (file LA 702.0011f/26), and inclose herewith a circular letter on this subject addressed to all concerned, issued by the Executive Secretary of The Panama Canal under date of January 7, 1925, which is self-explanatory.

Sincerely yours,

JOHN W. WEEKS

[Enclosure]

Circular Letter Issued by the Acting Governor of The Panama Canal

BALBOA HEIGHTS, C. Z., January 7, 1925.

TO ALL CONCERNED: Attention is invited to the circulars issued by this office on April 9, 1924,¹⁴ and June 3, 1924,¹⁵ relative to the issuance of exequaturs by the Government of the United States to foreign consuls for the exercise of consular functions in the Canal Zone. It will be noted that proper recognition was to have been secured by January 1, 1925.

Hereafter, the only foreign consular officers who can be officially recognized as authorized to transact the business of their consulates in the Canal Zone are those who hold exequaturs from the United States Government for the Panama Canal Zone. An exception will be made, however, in those cases in which provisional recognition has been extended pending the issuance of an exequatur.

By direction of the Acting Governor:

C. A. McILVAINE

Executive Secretary

¹³ Not printed.

¹⁴ See footnote 9, p. 653.

¹⁵ See footnote 13, p. 655.

701.5119/8

The Secretary of State to the Panaman Minister (Alfaro)

WASHINGTON, *January 31, 1925.*

SIR: I have the honor to acknowledge the receipt of your note No. D-36, of January 17, 1925,¹⁶ in which you state that you have been directed by your Government to inquire "what are the guaranties, privileges and preferences which the Government of the United States recognizes and accords to diplomatic representatives accredited to the Republic of Panama who happen to be in or pass through the Canal Zone."

In response to your inquiry I am pleased to inform you that it has been, and will doubtless continue to be the practice of this Government to accord on grounds of comity to diplomatic officers accredited to the Republic of Panama, while in the Canal Zone, those courtesies and privileges which are customarily extended by third states to diplomatic officers of foreign governments, it being understood, however, that it is always incumbent upon those officers to establish their identity to the satisfaction of the authorities of the Canal Zone with whom they may come in contact.

I may add in this connection that any foreign diplomatic representatives accredited to the Government of Panama who may hold exequaturs of the President of the United States as consular officers in and with respect to the Panama Canal Zone can not be regarded as being entitled to treatment different from that accorded to similar consular representatives of their respective governments in the United States and its possessions.

Accept [etc.]

CHARLES E. HUGHES

**GOOD OFFICES OF THE AMERICAN MINISTER IN PANAMA IN
PACIFYING AN INDIAN REVOLT**

819.00/1156 : Telegram

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

PANAMA, *February 27, 1925—10 a. m.*

[Received 5:35 p. m.]

24. Great excitement prevails here over the Indian uprising which appears to be general along the north coast from Porvenir to Obaldia. Several villages are reported to have burned and a number of Panaman police officers and private individuals variously estimated at from 10 to 30 are said to have been killed. A force of 200 Panaman

¹⁶ Not printed.

police was despatched from Colon last night to endeavor to restore order. The number of Indians in the disturbed territory is estimated at 30,000.

Full text of the Indian declaration of independence citing a long list of grievances against the Panaman Government (see my despatch number 645 February 18) ¹⁷ is published in today's newspapers. One article reads as follows: "The Tule nation petitions the Government of the United States of America to accept a protectorate over the people of its territory and to grant the Tule people such degree of autonomous local government as we may prove capable of properly exercising". Copies will be forwarded by next pouch.¹⁸

Intense bitterness towards Marsh ¹⁹ is manifested in the press and throughout the country.

SOUTH

819.00/1157 : Telegram

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

PANAMA, February 27, 1925—10 p. m.

[Received February 28 (?)—1:30 p. m.]

25. Department's February 26, 3 p. m.²⁰ Have investigated Marsh's connection with Indian uprising and am informed by the Indians that Marsh has attempted to restrain them and that their being on warpath is due to grave injustices done them by Panamans. Indians have agreed to suspend hostilities if not attacked by Panamans. Panama has been informed of this but has sent instructions to troops here "to seize all vessels and boats pertaining to the Indians and prevent all kinds of traffic with and between them."

Panaman Government has advised me it will insist on Marsh's trial and punishment if found guilty. Marsh now aboard ship at my request with the understanding he may return to Indians if he so desires. If allow him to return to the United States and to suspend operations against Indians the incident would be closed. I suggest that the Department, through the Legation, endeavor to bring this about.

According to information here about ten Indians and ten Panamans have been killed to date.

SOUTH

¹⁷ Not printed.

¹⁸ One of the original copies of the declaration is in the files of the Department of State (file No. 819.00/1176). The declaration is printed in the *Panama Star and Herald*, Feb. 27, 1925.

¹⁹ Richard O. Marsh, an American citizen and explorer.

²⁰ Not printed.

819.00/1160 : Telegram

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

PANAMA, February 28, 1925—11 a. m.

[Received March 2—9:30 a. m.]

27. Marsh now requests captain of *Cleveland* to take him to Cristobal alleging that his life is in danger. This is obviously true.

Marsh is involved at least to the extent of having reduced to writing the demands of the Indians but has apparently attempted to restrain them from violence. Panamans probably not aware he is to leave for Cristobal on *Cleveland*. Respectfully request instructions as to what course I shall follow if Panaman authorities demand that he [be] turned over to them at Cristobal.

All trouble will cease immediately here if Panamans can be induced to permit me to advise the Indians that they will not be molested or prosecuted for what has occurred in outbreaks.

Cleveland is removing to Cristobal all foreigners seeking protection. No new outbreaks to my knowledge in last 24 hours.

SOUTH

819.00/1158 : Telegram

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

PANAMA, February 28, 1925—1 p. m.

[Received 4:50 p. m.]

26. The Minister for Foreign Affairs assures me Indians will not be attacked unless they renew hostilities. Seizure of boats a precautionary measure which can be abandoned if it causes difficulties.

Señor Alfaro believes that public opinion will demand thorough investigation of Marsh's activities but it is disposed to give him benefit of all favorable evidence. Justice of the Supreme Court leaving tonight for Carti to make this investigation and hear evidence of Indians.

SOUTH

819.00/1157 : Telegram

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

WASHINGTON, February 28, 1925—5 p. m.

24. You are authorized to act on suggestion contained in penultimate paragraph your No. 25, February 27, 10 p. m. Keep Department informed.

HUGHES

819.00/1161 : Telegram

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

PANAMA, March 1, 1925—10 p. m.

[Received March 2—9:10 a. m.]

28. At investigation this morning at Carti, Judge Ossa²¹ of the Panaman Supreme Court, Captain Wells,²² and I took testimony of Indians regarding their own complaints and Marsh's connection with revolt.

Sincerely hope for instructions from the Department regarding Marsh in order to avoid unnecessary complications on arrival at Cristobal.

The Minister for Foreign Affairs informed the Legation this afternoon that since Marsh has taken refuge under the American flag the Panaman Government will ask for his extradition.

SOUTH

819.00/1161 : Telegram

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

WASHINGTON, March 2, 1925—5 p. m.

25. Your 27, February 28, 11 a. m. and 28, March 1, 10 p. m. If and when Marsh arrives in the Canal Zone matter of his extradition will be one to be dealt with in the usual manner between authorities of Panama and the Canal Zone.

Department appreciates your efforts to prevent additional bloodshed and hopes that further extension of your unofficial good offices will contribute to a solution satisfactory to all concerned.

HUGHES

819.00/1164 : Telegram

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

PANAMA, March 2, 1925—9 p. m.

[Received March 3—9:32 a. m.]

29. I returned to Panama this afternoon by air, leaving U. S. S. *Cleveland* at Carti. I hope to persuade the Panaman Government to settle troubles with the Indians amicably, promising no retaliation for the recent uprising and better treatment of Indians in the future.

From thorough investigation made on the spot I am convinced charges made by Indians against the Panaman authorities are true and that the Indians have been shamefully treated.

²¹ J. F. de la Ossa.

²² Commanding officer, U. S. S. *Cleveland*.

[Paraphrase]

My opinion is that uprising was inevitable, just, and reasonable, and that Marsh did not foment it, although he permitted his sympathy for the Indians to lead him too far. Feeling against him is so strong in Panama that if he is extradited he cannot obtain a fair trial.

The Government of Panama contemplates asking for assistance in resubjugating the Indians. This it will do through its Legation in Washington. I respectfully and earnestly suggest that Panama be given no assistance for the present in carrying out retaliatory or punitive measures. Leaving aside the justice of the cause of the Indians I am of the opinion that any effort to subdue them by force will be protracted and expensive and if undertaken by Panamanians will be doomed to failure.

Tomorrow I plan to return to Carti for further conference with the Indian chiefs. I shall be accompanied by the Foreign Minister or other representatives of Panama.

SOUTH

819.00/1168 : Telegram

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

PANAMA, March 4, 1925—4 p. m.

[Received March 5—5:05 p. m.]

31. My March 3, 2 p. m. number 30.²³ After 6-hour conference between Minister for Foreign Affairs, Minister of Justice and 13 Indian chiefs representing northern San Blas region, an agreement was drawn up and signed along the following lines:²⁴ One—The Indians submit to the laws and authority of Panama and agree not to commit further hostile acts; they promise to return all arms and other property captured from the police or taken from private individuals; the Government of Panama will allow them to keep their shotguns and will return those which have been taken from the Indians by the police; the Government of Panama will maintain such officials in the Indians' territory as may be necessary to represent Panama authority and maintain order but will in general leave to the Indians to maintain order among themselves; the Government of Panama will not impose schools upon the Indians; the Government of Panama will respect the right of the Indians to follow their own manners and customs and assures to them the same rights which are enjoyed by other Panaman citizens.

²³ Not printed.

²⁴ The agreement was signed at Porvenir, capital of the police district of San Blas.

I signed the agreement as a witness only. Subsequently an official inquiry was made into the activities of Marsh at which it was decided that there was not sufficient evidence against him to ask for his extradition. The Minister for Foreign Affairs will recommend to the President that on Marsh's arrival at the Canal Zone the Canal Zone authorities be asked to deport him as an undesirable. This seems to me best possible solution. Meeting ended in a friendly spirit and I hope relations between Indians and Panaman Government will be much improved in future. Am proceeding on U.S.S. *Cleveland* with Minister for Foreign Affairs and Minister of Justice to Aligandi tomorrow to endeavor to procure acceptance of the above agreement by Indians there.

[SOUTH]

819.00/1169 : Telegram

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

PANAMA, March 5, 1925—7 p. m.

[Received March 6—9:08 a. m.]

32. My 31. March 4, 4 p. m. At conference at Aligandi, head chief of southern San Blas region accepted Porvenir agreement and promised to abstain from further proceedings. Am returning to Panama at once on *Cleveland*. Expect to arrive tomorrow afternoon.

SOUTH

819.00/1168 : Telegram

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

WASHINGTON, March 6, 1925—6 p. m.

26. Your Nos. 31, March 4, 4 p. m., and 32, March 5, 7 p. m. Department desires to congratulate you upon success of your efforts to compose differences between Panaman officials and Indians and to commend you for able handling of this difficult situation.

KELLOGG

819.00/1178 : Telegram

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

PANAMA, March 18, 1925—10 a. m.

[Received 7:40 p. m.]

38. R. O. Marsh sailed yesterday for the United States on the steamer *Santa Eliza*. Executive decree was issued March 14 expelling him from Panama but Marsh did not reenter Panaman territory after seeking asylum on board United States ship *Cleveland*.

SOUTH

ASSISTANCE BY UNITED STATES TROOPS IN QUELLING RIOTS IN
PANAMA CITY

819.00/1206 : Telegram

The Chargé in Panama (Munro) to the Secretary of State

PANAMA, October 11, 1925—9 a. m.

[Received October 12—10:15 a. m.]

95. One person was killed and eleven wounded in a riot which occurred in Santa Ana Plaza last night when Tenants' League under the leadership of foreign and Panaman labor agitators attempted to hold a meeting in defiance of decree of the municipal authorities. Police fired on the mob after unsuccessful efforts to disperse the meeting by peaceful means and after shots had been fired by rioters. Order was soon restored.

MUNRO

819.00/1207 : Telegram

The Chargé in Panama (Munro) to the Secretary of State

PANAMA, October 12, 1925—11 a. m.

[Received 3 p. m.]

96. My 95, October 11, 9 a. m. Minor disturbances continued throughout yesterday and last night, chauffeurs and street-car employees went on strike paralyzing traffic. Private owners of automobiles, including Americans, have been molested by crowds. The Minister of Foreign Affairs this morning formally asked me to have 300 American troops sent into the city to assist Panaman police in maintaining order. He stated that disturbances resulting in serious bloodshed would occur this morning unless this cooperation were extended and that while the Panaman Government could dominate the situation it could not keep transportation services operating or extend adequate protection to foreigners without help. Since there appeared to be a real emergency in view of intense excitement of laboring classes throughout the city and reported disaffection of part of police force and firemen, I communicated the Government's request to the Acting Governor of Canal Zone; and after consultation with him I informed the Panaman Government that the American military authorities would assume full control of the policing of the city if the Panaman Government should so request in writing stating that it was unable to maintain [order], but that the American military authorities did not feel able to send a force merely to cooperate with the Panaman police. I also said that American forces are being sent meanwhile to the Zone boundary line in readiness to act should serious

disorders occur. It is very possible that the moral effect of this measure will in itself prevent serious disturbances.

MUNRO

819.00/1209 : Telegram

The Chargé in Panama (Munro) to the Secretary of State

PANAMA, October 12, 1925—3 p. m.

[Received 9:17 p. m.]

97. My October 12, 11 a. m. At the President's request, the Governor of the Canal Zone, the Commanding General and I conferred with him and the Minister for Foreign Affairs this noon. The President stated that the subversive movement was growing rapidly and that the morale of the police force was deteriorating through overwork and propaganda. The President referred to the fact that transportation services have been paralyzed today through intimidation and that the *inquilinos*²⁵ had announced that they would stop supply of bread and other food tomorrow. He thought that the Government could dominate the situation by the use of force but with much bloodshed and without being able to terminate the present agitation. He therefore inquired under what conditions the American military authorities would take over the maintenance of order if requested to do so. The Commanding General stated that he would have to assume full control of the policing of the city but with as little interference as possible with the functioning of the Panaman authorities. Subsequently the Minister for Foreign Affairs sent me a formal note requesting the assistance of the United States in the form outlined at the conference. I so informed the Governor and about 600 American troops entered the city at 2 p. m., so far as I know without serious incidents. Practically all street traffic was suspended this morning and nearly all stores and business houses were closed. Several Americans appealed to me for assistance saying that they were being compelled by threats of mob violence to close their places of business, and I am informed that many more made similar complaints to the Governor of the Canal Zone. The Panaman Government was obviously unable to extend protection in such cases. I am convinced that a very serious situation would have developed within 24 hours and that there would probably have been more bloodshed if the Canal authorities had not intervened.

MUNRO

²⁵ Tenants.

819.00/1209 : Telegram

The Secretary of State to the Chargé in Panama (Munro)

WASHINGTON, October 13, 1925—3 p. m.

63. Your telegrams Nos. 96, October 12, 11 a. m., and 97, October 12, 3 p. m. Your action approved. Observe situation closely with a view to initiating measures for retirement of United States troops as soon as, in your opinion and in that of Canal Zone authorities, disorderly tendencies have abated sufficiently to permit withdrawal. Continue to keep Department informed by telegraph.

KELLOGG

819.00/1210 : Telegram

The Chargé in Panama (Munro) to the Secretary of State

PANAMA, October 14, 1925—9 p. m.

[Received October 15—12:55 a. m.]

98. Department's 63, October 13, 3 p. m. Conditions in the city are rapidly returning to normal. The almost immediate resumption of work by street-car employees, chauffeurs, and vendors in market shows that the strikes which paralyzed transportation and threatened to cut off the city's food supply were due chiefly to intimidation by radical labor elements.

On Monday night a clash occurred between soldiers and a crowd of workmen whom the soldiers were trying to disperse. A few Panamans were injured and one was killed by falling from a balcony. Many arrests were made. With this exception there have been no unfortunate incidents.

Several labor agitators have been arrested and those who are foreigners will be deported. The Government proposes to dismiss those employees who have been unduly prominent in the rent-payer movement. I have suggested to the Minister for Foreign Affairs the inadvisability of removing employees simply because of connection with rent-payer movement unless they had permitted themselves to become involved in improper activities.

Beyond maintaining order the American authorities are of course not interfering with the rent strike which is still in progress. The President conferred yesterday with the more important property owners and suggested to them to agree to rescind all recent rent increases and to reduce all rents to a point 10 percent below that prevailing January 1st last, the reduction to remain in effect until the next meeting of the National Assembly in September 1927, when remedial legislation can be passed. The form which this legislation will take has not been mentioned.

MUNRO

819.00/1219 : Telegram

*The Chargé in Panama (Munro) to the Secretary of State*PANAMA, *October 22, 1925—2 p. m.*

[Received 5:55 p. m.]

105. Since the President informed me this morning that he has no objection, the American troops will be withdrawn from the city tomorrow.

The Government has brought many police from the interior, increasing the forces in the city from about 250 to about 400 men. The President tells me that this increase will be temporary.

MUNRO

819.00/1220 : Telegram

*The Chargé in Panama (Munro) to the Secretary of State*PANAMA, *October 23, 1925—4 p. m.*

[Received 10:40 p. m.]

108. My telegram No. 105, October 22, 2 p. m. The troops were withdrawn from Panama this noon. No disturbances are anticipated.

The mixed commission of tenants and landlords organized to hear complaints of dissatisfied tenants began its sessions yesterday.

MUNRO

BOUNDARY DISPUTE WITH COSTA RICA

(See volume I, pages 471 ff.)

PARAGUAY

DELIVERY OF THE "PARAGUAYAN JEWELS" TO THE GOVERNMENT OF PARAGUAY

334.334 R 33/1

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

No. 318

WASHINGTON, *January 27, 1925.*

SIR: Your attention is called to the case of the so-called "Paraguayan Jewels". Although the files of your Legation no doubt contain some of the correspondence on this subject, a brief history of the case is given for your information.

In 1868, during the war between Paraguay and Argentina and Brazil, a number of persons deposited with our Minister, Mr. Washburn, in Asunción various articles for safe keeping.¹ Shortly afterwards Mr. Washburn was compelled to leave Asunción and the articles entrusted to him passed through a number of hands before being taken over by the invading Brazilian troops and delivered to the Brazilian authorities. The latter made inventory of the goods which came into their possession and some time later delivered the property to Mr. Partridge, our Minister to Brazil. The box containing these articles eventually reached the State Department, where further inventory was made in 1884, disclosing the fact that the contents of the box at that time was much less than that in 1871 when the Brazilian inventory was made. In 1888 the box was forwarded to Mr. Bacon, our Chargé d'Affaires at Montevideo and, after an unsuccessful effort to induce the Paraguayan Government to accept it, the box was deposited at the London and River Plate Bank in Montevideo. On September 3, 1902, Mr. Finch, who was then Minister to Uruguay, inspected the box at the bank, found the inner seal intact, and re-sealed the outer box with the seal of the United States Legation at Montevideo. This action was reported to the Department in the Legation's despatch No. 576 of September 5, 1902.² Since that date various claimants have endeavored to establish their right to the contents of the box, but have been unable to convince the Department that their claims were well founded.

¹ See *Diplomatic Correspondence*, 1868, pt. 2, p. 817; and *Foreign Relations*, 1871, pp. 43 and 63.

² Not printed.

It is now proposed to endeavor to ascertain what claimants are properly entitled to the articles now remaining in the box and, as a preliminary step, it is deemed desirable to ascertain whether the box is still at the bank and whether its contents are intact.

The previous inventories which have been made contain very general descriptions, from which it would be impossible to identify any particular object exactly. It is therefore desired that you secure an adequate inventory of the contents of the box and, for this purpose, it is believed that photographs of each object should be made. You are accordingly instructed to make such an examination and inventory, either at the bank or at the Legation as may seem most suitable and convenient. Especial care should be taken to see that the photographs or other description of the contents of the box do not come into the hands of any one who might pass them on to possible claimants, since it would be an easy matter for any fraudulent claimant in possession of such photographs to make out a strong claim based on an exact description of the articles. It is therefore suggested that the photographs should, if possible, be made by some one connected with the Legation.

It is believed that it would also be desirable as an additional precaution to open the box and to make the inventory and photographs in the presence of some reliable notary or official, preferably of the Paraguayan Government, who could certify that all of the articles removed for inspection were replaced in the box. Care must of course be taken in selecting such an individual lest he should improperly pass on to possible claimants the knowledge of the contents of the box which he would gain from such participation in the making of the inventory. Perhaps one of the bank officials would be the most suitable person, but this matter is left to your discretion.

When the inventory has been completed and the photographs taken, the articles should be replaced in the box and the box again sealed with the seal of the Legation. It will probably be advisable then to return the box to the bank for safe keeping until further action can be determined upon.

You will transmit promptly to the Department duplicate copies of the inventory and of the photographs, retaining copies also in your own files.

I am [etc.]

For the Secretary of State:

JOSEPH C. GREW

334.334 R 33/1

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

[No. 290]

WASHINGTON, April 9, 1925.

SIR: Referring to the Department's instruction No. 276, dated January 27, 1925,³ in regard to the so-called "Paraguayan Jewels", there is enclosed for your information a copy of a despatch, No. 395, dated March 9, 1925, from the Legation at Montevideo,³ together with its enclosures, which you will note contain a complete inventory, with photographs, of the property referred to.

The Department believes that it would be extremely difficult, if not impossible, for any living claimants to identify satisfactorily many of the articles contained in the box, which is now at Montevideo. It is therefore believed that the most satisfactory disposition of this property would be to deliver it to the Paraguayan Government, without any responsibility on the part of this Government, in order that the articles may be disposed of in any manner which seems to them proper.

For your information it may be stated that on December 30, 1887, the Department instructed Mr. Bacon, Chargé d'Affaires at Montevideo,³ to deliver to the Paraguayan Government all of these articles which were then in the possession of this Department, "with a distinct disclaimer of any responsibility". The box, which was then in the Department, was accordingly sent to Montevideo, but, due to the discrepancy between the inventory which had been made by the Brazilian Government in 1871 and the inventory made by the Department in 1884, the Paraguayan Government refused to accept the delivery of the box and its contents. This information was conveyed to the Department as an enclosure to despatch No. 71 of October 29, 1895, from the Legation at Montevideo.³ In view of this fact the Department decided to make an effort to return the property to such individual claimants as might be able to establish their right to any of the articles. It was also proposed that if a claim for property be established to articles included in the Brazilian inventory of 1871, but not included in the Department's inventory of 1884, Congress would be requested to appropriate a sum of money for the indemnification of the claimants. However, no claimant was able to trace his individual property through the various vicissitudes which the box encountered. It is believed by the Department that it would be virtually impossible for any claimant to do so. It may also be noted that possible claimants have had an opportunity to study the inventories of 1871 and 1884 and would thus be in a position to file claims based solely on the descriptions contained in those inventories, thereby opening a fertile

³ Not printed.

field for fraud. While it might be possible, on the basis of the inventory which is enclosed herewith, to distribute certain articles to bona fide claimants who could identify the objects claimed to your satisfaction, it is obvious that numerous articles could not be so identified and the distribution of this remainder would still present an unsettled problem.

You may, in your discretion, point out these difficulties to the Paraguayan Government in an effort to induce that Government to accept the box and contents as it now exists, and to discharge this Government of all responsibility in connection therewith. It might also be pointed out that in January, 1902, the Secretary of Foreign Affairs of Paraguay caused to be published in the *Diario*, the official paper of Paraguay, a notice to the effect that all claims relative to this property should be presented within ninety days of the date of the publication of the notice, or be thereafter barred. A copy of this notice was transmitted to the Department in despatch No. 517, dated February 5, 1902, from the Legation at Montevideo.⁵

If the Paraguayan Government should still refuse to accept the box, and its contents under the terms outlined above, you will communicate this fact to the Department with any suggestions for the disposal of the property which may occur to you. It may be added that you will of course take care to see that the enclosed inventory, and particularly the photographs, are kept strictly confidential in order that no fraudulent use of them might be made by possible claimants.

I am [etc.]

For the Secretary of State:
JOSEPH C. GREW

334.334 R 33/6

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

No. 1523

ASUNCIÓN, May 28, 1925.

[Received June 24.]

SIR: The Department's instruction No. 290 of April 9, 1925, concerning the so-called Paraguayan jewels has been received and, in accordance therewith, the papers in this case have been gone over. I am of the opinion expressed in the instruction in reference that, due to the impossibility at this late date of a discovery by the Legation of the owners of all the articles, or of their heirs, the best and most equitable procedure will be to hand this box to the Government of Paraguay for such disposition thereof as it may wish to make.

In accordance therefore with the Department's authorization I have taken this matter up with Mr. Bordenave, Minister of Foreign

⁵ Not printed.

Affairs, pointing out the changed situation since the refusal of his predecessor, in 1895, to accept this box. I have secured from him his verbal consent to receive the box and relieve the United States Government of all responsibility in connection therewith. The box, I suggested, could be turned over to a representative of the Paraguayan Government in Montevideo. Mr. Bordenave has agreed also to this point.

I asked that the above arrangement be confirmed by an exchange of notes, of which copies will be duly furnished the Department.

I have [etc.]

WILLIAM B. SOUTHWORTH

334.334 R 33/7

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

No. 304

WASHINGTON, October 1, 1925.

SIR: The Department has received your Legation's despatch No. 1542 of July 1, 1925,⁶ in reply to its instruction of April 9 last concerning the Paraguayan jewels and it is noted from the enclosure thereto that the Paraguayan Minister of Foreign Affairs has declined to receive the jewels under the conditions proposed by this Government. In his note of June 30, 1925, he made the following statement:

"From the basis of the past files of this Ministry in this matter, it appears that the inventory which you enclose does not contain all the objects and valuables described in the various petitions presented by the claimants, nor those accounted for in the inventory made in Rio de Janeiro September 14, 1871 and which bears the signature of the Minister, Mr. James R. Partridge.

"Under these circumstances, my Government would be able to undertake only the acceptance pure and simple of the abovementioned objects, but finds itself unable to relieve yours of claims which it would have no way of preventing, since the renouncement of property rights is only valid when made by the actual owners or the holders of their titles."

In reply to the Department's request for suggestions as to the disposal of this property, Mr. Southworth proposes that the box of jewels be sent to Asunción and that the chief of your mission be authorized to receive and pronounce upon written and verbal claims to any objects deposited with Mr. Washburn and included in the 1871 list subscribed by Mr. Partridge. He suggests that a four months' period be allowed for presenting such claims, and that, after they have been disposed of, the American representative turn over to the Museo Nacional any articles the ownership of which has not

⁶ Not printed.

been established, as the property of the people of Paraguay. It is further suggested that a few small articles which are not suitable for this purpose might be sold and the proceeds thereof applied to the expenses involved in the above plan.

The Department deems it desirable, if possible, to dispose of the contents of the box in question at an early date, in order to avoid the inconvenience, expense and embarrassment which will be involved in continuing to act as custodian of these articles. Moreover, after giving the matter further consideration, the Department believes it would be desirable, if possible, to avoid placing upon the Legation the difficult task of distributing the articles in question to the rightful owners. It is believed that the Paraguayan Government will be in a better position than the Legation to make this distribution. Therefore, unless, for some reason not now apparent to the Department, you deem it inadvisable to take this course, the Department authorizes you to address a further communication to the Foreign Minister offering to turn the box and its contents over to him upon the understanding that this action does not affect one way or another the question of the alleged liability of the Government of the United States because of the loss of specie and other articles from the box while it was in the custody of an officer of this Government.

While it does not seem necessary at the present time to enter into a discussion with the Paraguayan Government of the liability of this Government for the loss of the articles mentioned, I may say that it does not appear to this Department that such liability exists as a matter of law. In this relation attention is called to the following statement of Secretary Fish, in his instruction of January 31, 1871, to Minister Wright:⁷

“Mr. Washburn also says that he warned the depositors that, in accepting the trust which they thought proper to confer upon him, neither his Government nor himself personally was to be held accountable for the safe-keeping of the property. This Government claims no right to interfere for the recovery of the value of such part of it as did not belong to itself or to citizens of the United States, but it may be supposed that, under the circumstances attending the trust, and in view of the standing of the depositors, that government might of its own accord make amends to them.” (*Foreign Relations, 1871, page 43*).

Attention is also called to the following statement in Mr. Wright's note of May 4, 1871, to the Brazilian Foreign Minister, concerning the return of the articles in question, which had been taken from the American Legation at Asunción by Brazilian soldiers:

“His excellency will have seen that, while the Government of the United States claims no right to interfere for the recovery of the

⁷ Robert Clinton Wright, Chargé in Brazil.

value of such part of this property as did not belong to itself or to citizens of the United States, it nevertheless appeals to the magnanimity of the imperial government in behalf of those Paraguayans who had deposited their property at the American legation. The Government of the United States goes further, and submits to the government of Brazil whether the position of this Paraguayan property, on deposit at the legation of the United States, was not analogous to that of an enemy's property on board of a neutral ship at sea, which is exempt from seizure, under a principle understood to be respected by the Brazilian government. As regards the property of the United States, the property of Mr. John A. Duffield, and of Mr. Washburn, for this the Government of the United States will, in any event, expect reparation." (*Foreign Relations*, 1871, page 46).

It is evident from the statements quoted that custody of the articles in question was undertaken in the first instance by Minister Washburn merely as an act of grace. He accepted this trust upon the express understanding that neither the Government of the United States nor himself would be "held accountable for the safe-keeping of the property." It is equally clear that Minister Wright took over the articles in question from the Brazilian Government purely as an act of grace, for the benefit of the owners in Paraguay, and without assuming any greater liability than that which had been assumed by Minister Washburn.

In case you turn the box and its contents over to the Paraguayan Government, as suggested above, it will be desirable for you to obtain a receipt specifying the articles, for which purpose it is believed the inventory recently made under the direction of the Minister at Montevideo could be used. Enclosed herewith is a draft of a proposed note to the Paraguayan Foreign Minister concerning this matter.⁸

I am [etc.]

For the Secretary of State:
JOSEPH C. GREW

334.334 R 33/8 : Telegram

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

ASUNCIÓN, November 24, 1925—11 a. m.

[Received 11:40 p. m.]

21. Paraguayan Government accepts jewels to be delivered here. How shall this Legation proceed?

KREECK

⁸ Not printed.

334.334 R 33/8 : Telegram

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

[Paraphrase]

WASHINGTON, *November 30, 1925—8 p. m.*

13. Legation's telegram No. 21 dated November 24. You are instructed to proceed as follows:

In the presence of a Paraguayan notary, have inventory and photographs of contents of box made by the Minister in Uruguay examined, checked, and verified by your Legation and Paraguayan officials jointly and concurrently.

In the presence of witnesses, deliver the box to the Paraguayan official duly authorized to receive it. Secure an appropriate and comprehensive receipt which will contain a copy of the inventory and photographs of the box and its contents.

I am telegraphing the Legation in Uruguay⁹ for suggestions as to the safest way to transport box to Asunción. Please inform Department if you have any suggestions.

KELLOGG

334.334 R 33/21

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

No. 58

ASUNCIÓN, *March 22, 1926.*

[Received April 28.]

SIR: I have the honor to report that the Paraguayan jewels have been delivered to the Paraguayan Government, receipt for the same being attached hereto. It is my opinion that this much negotiated incident is now a closed bit of history, for the Paraguayan Government as well as for ourselves, because, it is almost certain that no one can present a Washburn receipt or document substantiating their rightful claim.

The jewels were received from Montevideo as reported in my former despatch, No. 44 of February 18, 1926.¹⁰ Upon their arrival they were placed in the depository of the Legation under lock, and the premises were guarded by Police placed here by the Government.

Before the departure of Mr. Hofer, Secretary of Legation at Montevideo, and the individual who had been present at the opening of the box upon a former occasion, making an inventory thereof, the box was again opened in the presence of the duly authorized and qualified agents of the Paraguayan Government, who prepared an inventory in

⁹ Telegraphic instruction No. 19, Nov. 30, 1925; not printed.

¹⁰ Not printed.

their own language (copy and translation of which are attached)¹¹ and which corresponded exactly with the inventory made at Montevideo. The box was sealed in the presence of the Paraguayan officials, bearing this time the seals of Paraguay and the United States, and placed in the depository awaiting the date of its acceptance by the Paraguayan Government.

As reported in my former communication, the Minister of Foreign Affairs requested that the same be retained by the Legation until after his return to Asunción. This was done and upon his return and at the request of the Paraguayan Foreign Office the box was then again opened at the Legation in order that an appraisal might be made while under the Legation charge, to withstand or forestall any criticism or insinuation that the items were otherwise than as reported in the inventories or that substitutions thereto had been made by the Paraguayans after delivery by this Legation. This request was granted and the official governmental appraisers called, and, in the presence of the Minister and Sub-Secretary of Foreign Affairs and the official notary of the Paraguayan Government, the appraisal was made (copy and translation of which are also attached).¹¹ The box was again closed and sealed as before mentioned and placed in the depository awaiting delivery to the Government. This came about within two days following, the acceptance taking place today by the Minister of Foreign Affairs and the receipts signed which are attached to this communication.¹¹

It is the intention of the Paraguayan authorities to place the jewels within the Oficina de Cambio for the present and perhaps later, if receipts cannot be presented for the articles, to remain a part of the Museum as the memorials of the War.

Thus closes the chapter of the long negotiations.

I have [etc.]

GEO. L. KREECK

¹¹ Not printed.

PERSIA

CHANGE OF DYNASTY IN PERSIA AND RECOGNITION BY THE UNITED STATES OF THE GOVERNMENT OF REZA SHAH PAHLAVI

891.00/1368 : Telegram

The Chargé in Persia (Amory) to the Secretary of State

[Paraphrase]

TEHERAN, *October 30, 1925—10 p. m.*

[Received October 30—4:57 p. m.]

75. Demonstrations against Kajar dynasty, which have appearance of spontaneity . . . have become more wide and frequent. . . . Course of events may make more difficult position of the American financial advisers.

AMORY

891.01/22 : Telegram

The Chargé in Persia (Amory) to the Secretary of State

[Paraphrase]

TEHERAN, *October 31, 1925—2 p. m.*

[Received October 31—1:30 p. m.]

76. It is probable that Prime Minister will be at once proclaimed Shah, or else that a Constituent Assembly will be called. . . . The movement has fair chance to succeed since the opposition lacks unity and leadership. Communication from Chamberlain¹ transmitted through British Minister to Persian Foreign Office affirms the complete disinterestedness of Great Britain in present critical circumstances. . . . Recently appointed Ambassador from Turkey, travelling through Caucasus, delays arrival pending outcome of crisis.

Until situation clears up Department may wish to detain American Minister at Beirut.

AMORY

¹J. Austen Chamberlain, British Secretary of State for Foreign Affairs.

891.01/23 : Telegram

*The Chargé in Persia (Amory) to the Secretary of State*TEHERAN, *October 31, 1925—midnight.*

[Received October 31—7:26 p. m.]

77. Medjlis passed following law this afternoon: 80 in favor, 5 against, 30 absent. "In the name of the welfare of the people the National Consultative Assembly declares the abolition of the Kajar Sovereignty and within the limits of the Constitution and other laws entrust Provisional Government to the person of Mr. Reza Khan Pahlavi. The determining of the form of the permanent government shall be made by a constituent assembly which shall for this purpose amend articles 36, 37, 38 and 40 of the supplement to the Constitutional Law." See despatch No. 821, December 31, 1924.²

Minority contend that procedure illegal [because: (1) The] deputies swore allegiance to Sovereign; (2) Constitution provides that sovereignty vested in Kajar dynasty; (3) only deliberate genuine popular referendum can authorize constitutional change.

Majority contend that recent telegrams from provinces to Medjlis demanding abolition of Kajar dynasty constitute mandate and cite precedent of constitutional change in the electoral machinery by the Medjlis in 1909 as a result of telegrams from provincial groups. City illuminated this evening and quiet.

AMORY

891.01/25 : Telegram

*The Chargé in Persia (Amory) to the Secretary of State*TEHERAN, *November 2, 1925—11 p. m.*

[Received November 2—4:25 p. m.]

79. At meeting this afternoon attended by every diplomatic chief of mission it was unanimously agreed to send Hassan Moshar,^{2a} as act of courtesy, brief individual acknowledgments, strictly personal and unofficial in form, of his communication^{2b} reported in my cable number 79 [78] of November 1st,² stating its contents had been communicated to respective governments for instructions. It is expected Provisional Government will be constituted definitively very shortly; one hears that Constituent Assembly will be convoked within a few weeks. Normal conditions prevail.

² Not printed.^{2a} Persian Minister for Foreign Affairs.^{2b} Notifying the several Governments of the action of the National Consultative Assembly of October 31, previously reported to the Department in telegram No. 77, *supra*.

I suspect several colleagues are recommending that *de facto* recognition should at least follow promptly for tactical purposes any formal communication [of] formation of Provisional Government.

AMORY

891.01/25 : Telegram

The Secretary of State to the Chargé in Persia (Amory)

[Paraphrase]

WASHINGTON, November 3, 1925—1 p. m.

53. Referring your 78 of November 1,³ and 79 of November 2, Department sanctions acknowledgement, in manner you have suggested, of circular from Foreign Office. You may also carry on, at your discretion, the business of the Legation with the Provisional Government, following, when expedient, the procedure of representatives of other powers.

The Foreign Office circular alludes to the government of Reza Khan as provisional, and anticipates that a definitive form of government will be later set up by Constituent Assembly. It is, therefore, assumed by the Department that there is not at present any question of formal recognition, and that before that question arises there will be an opportunity to consider further the legal status of the new government and its attitude toward international agreements made under the Kajar dynasty.

Advise Department of steps taken.

KELLOGG

891.01/26 : Telegram

The Chargé in Persia (Amory) to the Secretary of State

TEHERAN, November 3, 1925—midnight.

[Received November 3—7 p. m.]

80. British Minister has been authorized to accord

“A provisional recognition to the regime inaugurated by the recent decision of the Persian National Assembly pending the final decision to be taken by the Constituent Assembly on the understanding this regime agrees to recognize the treaties, etc., at present in force between Great Britain and Persia and to execute the obligations arising therefrom and he is authorized to enter into business relations with the Provisional Government.”

He delivered a communication in this sense today to “His Imperial Highness the Chief of State.”

[Paraphrase.] It will, of course, be readily understood by the Department that a good impression would be produced here by an

³ Not printed.

immediate expression of friendliness, especially since Reza Khan has repeatedly shown a wish to attract American interests to Persia, since also such recognition would be personally gratifying to him, and since Millspaugh's⁴ position would be effected. Millspaugh has confidence in stability of new regime and hopes Department will accord recognition. [End paraphrase.]

AMORY

891.01/26 : Telegram

The Secretary of State to the Chargé in Persia (Amory)

[Paraphrase]

WASHINGTON, *November 4, 1925—7 p. m.*

55. (1) Should Department's 53, November 3, not entirely meet exigency as set forth in your 80, November 3, cable your suggestions.

(2) You may intimate to Persian officials that this Government does not wish to delay its expression of friendliness toward Persia in the present situation. But since, according to your report, the present Provisional Government looks to a Constituent Assembly for eventual confirmation of its authority, the Department judged that confirmation might fittingly precede formal recognition by this Government. Any recommendation which you may feel disposed to make will, however, receive the Department's careful consideration.

KELLOGG

891.01/27 : Telegram

The Chargé in Persia (Amory) to the Secretary of State

TEHERAN, *November 5, 1925—4 p. m.*

[Received November 5—10:48 a. m.]

81. Department's 53 and 55. In conversation with Foreign Minister this morning, I referred to his note of October 31.⁵ (1) In answer to my inquiry he said Provisional Government "of course would observe treaty provisions between former regime and American Government"; (2) then I told him I had been authorized to transact business with the Provisional Government; and (3) Department entertains most friendly sentiments for Persia at the present time.

[Paraphrase.] The Foreign Minister made it clear, however, that Reza Khan counts on receiving from us a communication in writing

⁴Dr. Arthur C. Millspaugh, American Director General of Finances for Persia.

⁵Not printed; see footnote 2b, p. 677.

which will use the words "provisional recognition". The Foreign Minister declared that he is willing to maintain unofficial relations, but that he cannot consent to official relations until receipt of note like that from Great Britain, which I reported in Legation's 80, November 3, midnight. Since German and Russian Ministers are this afternoon addressing similar communications to Reza Khan and representatives of other powers will probably do the same immediately, and since such declaration would not bind the United States Government in its attitude toward subsequent government, I suggest instructions from Department to address written note in language desired by Persian Government. [End paraphrase.]

Zoka ol Molk has been appointed Acting Prime Minister, retaining Finance portfolio.

AMORY

891.01/27 : Telegram

The Secretary of State to the Chargé in Persia (Amory)

WASHINGTON, November 5, 1925—6 p. m.

56. Your 81, November 5, 4 p. m.

(1) You are authorized to deliver to Persian Government a communication stating that this Government accords recognition to the provisional regime inaugurated in Persia pursuant to the recent decision of the Persian National Assembly pending the final decision to be taken by the Constituent Assembly. You should add that this recognition is accorded on the understanding that all international agreements between the United States and Persia will be scrupulously observed by the new regime.

(2) [Paraphrase.] The form "recognition of the provisional regime" seems at once more exact and more in keeping with the general policy of the United States than the form "provisional recognition" used by British. . . . [End paraphrase.]

(3) Persian Chargé today inquired of Department whether you had been authorized to call on the Chief of State. Department sees no objection to such action if you consider it desirable. At that time you could impress upon Reza Khan that the United States desires to maintain with the new provisional regime in Persia relations of cordial understanding.

Having determined upon the action outlined above the Department leaves it to your discretion to take such further action of a ceremonial or other character as may be necessary in view of the recognition accorded the provisional regime.

KELLOGG

891.01/28 : Telegram

The Chargé in Persia (Amory) to the Secretary of State

TEHERAN, November 8, 1925—11 a. m.

[Received November 8—6:52 a. m.]

82. Department's telegram 56. I delivered communication this morning to Foreign Minister, dated and accepted as of yesterday, in the sense of Department's instruction. Italian, Belgian, Polish, Egyptian colleagues have taken action of the same purport. It appears that Russian note alluded to in my 82 [81], merely expressed the hope future relations would remain as amicable as in the past. Have requested appointment call on Pahlavi.

Will Department increase telegraph allotment? Seven-tenths spent.

AMORY

891.01/39

The Secretary of State to the Persian Chargé (Kazemi)

WASHINGTON, December 21, 1925.

SIR: I beg to acknowledge the receipt of your communication of December 13, 1925^{5a} in which you have informed me that, on December 12th, the Constituent Assembly at Teheran, convoked for the purpose of deciding upon the permanent form of government in Persia and the person of the Chief of State, decided in favor of a Constitutional Monarchy in which the ruling dynasty shall be his Imperial Majesty Reza Shah Pahlevi and his male descendants.

I am pleased to be able to inform you that, on December 15 [16], the American Chargé d'Affaires at Teheran was instructed⁶ to address a communication to the Persian Government stating that the Government of the United States, having noted the action of the Constituent Assembly of Persia in investing the Constitutional Monarchy of Persia in His Imperial Majesty Reza Shah Pahlevi, and being informed that the latter has taken the oath, extends recognition to the Government of Persia. This recognition has been accorded on the understanding that all international treaties and agreements between the United States and Persia shall be scrupulously observed. This communication was delivered on December 17th.

On December 16th, the President of the United States cabled the following message to His Imperial Majesty Reza Shah Pahlevi:

"It affords me great pleasure to express my sincere congratulations on this occasion of Your Majesty's accession and my best wishes for

^{5a} Not printed.

⁶ By telegram No. 62, Dec. 16, 6 p. m.; not printed. The Chargé in Persia had reported by telegram No. 88, Dec. 15, 11 p. m. (received Dec. 15, 5 p. m.), that France, Germany, Great Britain, Italy, and Poland had recognized the permanent Persian Government.

Your Majesty's good health and happiness. It is my earnest hope that during Your Majesty's reign the friendly relations now existing between Persia and the United States of America and between the peoples of our two countries will be still further strengthened. I shall make it my pleasant duty to cooperate with Your Majesty to that end, and I am certain that Your Majesty will find in Mr. Hoffman Philip, newly appointed Minister of the United States to Persia and now en route to Your Majesty's capital, a diplomatic representative eminently fitted to further that cooperation."

Accept [etc.]

FRANK B. KELLOGG

COOPERATION OF THE UNITED STATES WITH GREAT BRITAIN IN EFFORTS TO RESTRICT THE EXPORT OF OPIUM FROM PORTS IN THE PERSIAN GULF⁷

891.114Narcotics/33

The British Ambassador (Howard) to the Secretary of State

No. 17

WASHINGTON, January 9, 1925.

SIR: In your note of August 21st last,⁸ you were so good as to inform me that the United States Government were prepared to instruct the United States Minister at Teheran to support the representations which His Majesty's Charge d'Affaires had been instructed to address to the Persian Government with a view to their exercising a more effective control of the illicit traffic in opium from ports in the Persian Gulf, China and other Far Eastern countries; you added, however, that action in the matter would be deferred pending a settlement by the Persian Government of the questions arising through the murder of Mr. Vice-Consul Imbrie at Teheran.⁹

His Majesty's Government understand that these questions have been satisfactorily adjusted and they have accordingly instructed me to enquire whether the United States Government would now be prepared to approach the Persian Government in the matter. In this connection, I have the honour to enclose herewith copies of King's Regulations to His Majesty's Consular Officers in the Persian Gulf, which came into force on the 1st instant, laying down the procedure to be observed in future before granting clearance to a British ship with a cargo of opium on board.

I have the honour to add that the co-operation of the United States Government in this matter is especially welcome to His Majesty's Government as demonstrating, at a time when difficulties appear to have arisen in arriving at an agreed settlement for an

⁷ Continued from *Foreign Relations*, 1924, vol. II, pp. 582-591.

⁸ *Ibid.*, p. 584.

⁹ See *ibid.*, p. 539, bracketed note.

international policy as regards opium,¹⁰ that the United States Government are nevertheless prepared to assist the British authorities in those measures which they are taking, at the expense of British interests, to control the opium traffic in those regions.

I have [etc.]

ESME HOWARD

[Enclosure]

Notice of British Opium Traffic Regulations, 1924

The following Regulations made by His Britannic Majesty's Political Resident in the Persian Gulf and allowed by His Majesty's Secretary of State for Foreign Affairs is published for general information.

LIEUTENANT-COLONEL,
*His Britannic Majesty's Political
Resident in the Persian Gulf.*

BUSHIRE.

KING'S REGULATIONS UNDER ARTICLE 55 OF THE PERSIAN COASTS AND ISLANDS ORDER IN COUNCIL 1907

No. of 1925.

Control of the traffic in opium between the Persian Gulf and the Far East.

1. The Master of any British ship sailing from the Persian Gulf with opium on board shall, before obtaining clearance, be required.

- (a) to make an affidavit stating the real destination of the opium;
- (b) in the case of exports to countries that have adopted the importation certificate system recommended by the League of Nations or entered into a similar agreement with His Majesty's Government, to produce a certificate of the Government of the country or [of] destination authorising the import of the opium; and
- (c) to enter into a bond for the delivery of the opium at that destination.

2. These Regulations may be cited as the "Opium Traffic Regulations, 1924" and shall come into force on January 1st, 1925.

LIEUTENANT-COLONEL,
*His Britannic Majesty's Political
Resident in the Persian Gulf.*

BUSHIRE.

ALLOWED.

*His Britannic Majesty's
Secretary of State for Foreign Affairs.*

¹⁰ See *ibid.*, vol. I, pp. 89 ff.

511.4 A 2/251a : Telegram

The Secretary of State to the Chargé in Persia (Murray)

WASHINGTON, January 19, 1925—noon.

2. Department's 83, September 15, 5 p. m., point 2, and written instruction 330, August 22, 1924.¹²

Further communication has been received from British Embassy inquiring whether this Government would now be prepared to approach the Persian Government with respect to latter's exercising a more effective control of illicit traffic in opium from ports in Persian Gulf to Far Eastern countries.

Cable promptly action, if any, which you have taken other than as reported in your written despatches 652 September 23 and 671 October 8.¹³ Department notes you have consulted with British Chargé d'Affaires but record does not indicate that you have made either written or oral representations relative to particular phase of the matter mentioned in British note. Report whether you see any objection to such action at this time.

HUGHES

511.4 A 2/252 : Telegram

The Chargé in Persia (Murray) to the Secretary of State

[Paraphrase]

TEHERAN, January 21, 1925—9 a. m.

[Received January 21—7:11 a. m.]

5. Department's No. 2, January 19, noon. I have not made any representations on opium question to Persian Government after those which I reported to Department in my despatches Nos. 652, of September 23, and 671, of October 8. Reasons are as follows: (1) Until complete liquidation of Imbrie incident I regarded such discussions as inappropriate. (2) In view of Persia's contribution to solution of opium problem in form of Colonel MacCormack's memorandum on Persian opium,¹⁴ it was my feeling that representations to Persian Government in my note of September 16¹⁵ were sufficient reminder.

¹² *Foreign Relations*, 1924, vol. II, pp. 586 and 585.

¹³ *Ibid.*, pp. 588 and 589.

¹⁴ Memorandum on Persian opium prepared by Col. D. W. MacCormack of the American Financial Mission in Persia and presented by the Persian delegation at the Second Opium Conference. Printed in League of Nations, *Records of the Second Opium Conference, Geneva, November 17th, 1924—February 19th, 1925*, vol. II, p. 194.

¹⁵ Not printed; see telegram No. 83, Sept. 15, 1924, to the Chargé in Persia and despatch No. 652, Sept. 23, 1924, from the Chargé in Persia, *Foreign Relations*, 1924, vol. II, pp. 586 and 588.

I venture to make following observations with regard to further representations on particular phase of matter mentioned in British note: (1) Between 60 and 70 tons of Indian opium have been sent in bond, in the past 10 months, to Bushire tax-free transshipment. In order to put an end to this traffic, the Council of Ministers issued an order a month ago prohibiting entirely importation of opium into Persia. (2) Colonel MacCormack is of opinion that pending report of opium investigation commission, whose despatch to Persia the League of Nations has suggested (so I am informed) and to which the Persian Government has agreed, further representations are not necessary.

MURRAY

511.4 A 2/252 : Telegram

The Secretary of State to the Chargé in Persia (Murray)

[Paraphrase]

WASHINGTON, *February 7, 1925—3 p. m.*

4. Your 5, January 21, 9 a. m. In view of the definite statement in the Department's note of August 21, 1924, to the British Embassy,¹⁶ copy of which was enclosed with Department's written instruction to you of August 22,¹⁷ it is desired that you address a further communication to the Persian Government in regard to the traffic in opium embodying the substance of the second and third paragraphs of Department's note of August 21. In your communication you may also in your discretion refer to relevant facts set forth in annex 4 to MacCormack memorandum, and you may state that the Government of the United States has been pleased to note action already taken by Government of Persia toward suppressing illicit traffic from ports of Persian Gulf, adding that it is the earnest hope of the Government of the United States that this action will be pressed to a successful conclusion.

You may use your discretion on consulting further with your British colleague before sending note.

Telegraph briefly action taken.

HUGHES

¹⁶ *Ibid.*, p. 584.

¹⁷ *Ibid.*, p. 585.

511.4 A 2/273 : Telegram

The Chargé in Persia (Murray) to the Secretary of State

[Paraphrase]

TEHERAN, February 9, 1925—4 p. m.

[Received February 9—3:33 p. m.]

9. Department's No. 4, February 7, 3 p. m. Before addressing a further communication to the Persian Government, the Legation would appreciate an exact definition of the term "illicit" when applied to the opium traffic from the ports of the Persian Gulf; request made in view of Persian Government's nonadherence to paragraph (a) of article 3 of Hague Convention,¹⁸ as well as all articles pertaining to China therein.

From enclosure to the Legation's despatch No. 652, September 23, 1924,¹⁹ the Department will note that British Chargé in his note to Persian Government of July 30 refrained from using term "illicit" in above-mentioned application.

MURRAY

511.4 A 2/273 : Telegram

The Acting Secretary of State to the Chargé in Persia (Murray)

[Paraphrase]

WASHINGTON, February 12, 1925—4 p. m.

7. Your No. 9, February 9, 4 p. m. Referring to Department's No. 4, February 7, 3 p. m., you may substitute "with respect to" for "toward suppressing illicit" in note to Persian Government.

GREW

511.4 A 2/275 : Telegram

The Chargé in Persia (Murray) to the Secretary of State

[Paraphrase]

TEHERAN, February 14, 1925—9 a. m.

[Received February 14—9:33 a. m.]

11. Department's telegraphic instructions Nos. 4, February 7, 3 p. m., and 7, February 12, 4 p. m. I am delivering to Persian Government today note on opium containing substance of first-mentioned telegram as modified. My British colleague has been notified of action I am taking.

MURRAY

¹⁸ *Foreign Relations*, 1912, pp. 196, 198.¹⁹ Enclosure not printed.

891.114Narcotics/35

*The Secretary of State to the British Ambassador (Howard)*WASHINGTON, *March 2, 1925.*

EXCELLENCY: I have the honor to acknowledge the receipt of Your Excellency's note No. 17 of January 9, 1925, in which you refer to the Department's note of August 21st, last, and enquire whether, in view of the reparation made by the Persian Government for the death of Vice Consul Imbrie, this Government is prepared at this time to support the representations which His Majesty's Chargé d'Affaires at Teheran has been instructed to address to the Persian Government with a view to its exercising a more effective control of the reported illicit traffic in opium from ports in the Persian Gulf to China and other Far Eastern countries.

In reply, I am pleased to inform Your Excellency that instructions have been sent to the American Chargé d'Affaires at Teheran directing him to bring to the attention of the Persian Government the views of this Government, as outlined in the second and third paragraphs of the note which I addressed to Your Excellency under date of August 21, 1924. I understand that these representations have now been made.

Accept [etc.]

CHARLES E. HUGHES

891.114Narcotics/50

The Secretary of State to the Chargé in Persia (Amory)

No. 409

WASHINGTON, *July 31, 1925.*

SIR: There is enclosed herewith a copy of a note from the British Embassy in Washington (No. 543) dated May 22, 1925,²⁰ stating that the British Mission in Vladivostok has informed the British Government that none of the shipments of opium reported from Bushire as being destined for the port of Vladivostok during the past year has actually arrived there; that the British Government is convinced that, in the case of these consignments, the declaration of Vladivostok as the port of destination is merely a cloak to cover these shipments of opium into China; and that the British Government has instructed its minister in Teheran to make representations to the Persian Government with a view to inducing it to prohibit or to put some check on this traffic, if he is of the opinion that such representations would have any practical or even moral effect. The British Embassy adds that it has been instructed by the British Government to express the hope that the United States Government will be prepared

²⁰ Not printed.

to instruct its representative at Teheran to concert with the British Minister there in making representations to the Persian Government in this matter, in order that by such cooperation the maximum pressure may be brought to bear on that Government to take adequate steps to stop this traffic. Reference is made in this connection to your despatches Nos. 1062 and 1077 of May 6 and 13, 1925, respectively,²¹ wherein you refer to the Legation's recent representations to the Persian Government regarding the control of opium traffic from Persian Gulf ports and to certain supplementary information furnished you in this connection by the British Minister to Persia. The report, that shipments of opium to the Far East have been diverted from the port of arrival indicated in the covering shipping documents and have been smuggled into China, is partially substantiated by despatches which have reached the Department from certain of its officers in China. You are directed, therefore, to address a further communication to the Persian Government referring to your previous notes and to the Persian Government's replies in this matter. In such further representations, the exact nature of which the Department desires to leave in a large measure to your discretion, you should state that, subsequent to such exchanges of notes, your Government has received credible information from certain of its representatives in China and from other sources to the effect that opium shipped from the Persian Gulf has been diverted from its ostensible destination and has been smuggled into China. You may refer again to the efforts of the Persian and American Governments to assist in the regulation of the world traffic in this drug and in keeping it within the limits of legitimate enterprise. In conclusion you should state that your Government, actuated by a spirit of friendly cooperation, has authorized you to bring to the attention of the Persian Government the situation outlined above and that your Government, in order that the joint efforts of the two Governments may be most effective, has expressed the earnest hope that the Persian Government will in due course inform you of such steps as it may have been able to take or of such further steps as it may contemplate taking to investigate and correct this situation. You may orally inform your British colleague of the action taken by you in this matter.

I am [etc.]

For the Secretary of State:

LELAND HARRISON

²¹ Neither printed.

891.114 Narcotics/57

The Chargé in Persia (Amory) to the Secretary of State

[Extract]

No. 1225

TEHERAN, *October 9, 1925.*

[Received November 12.]

SIR: With reference to the Department's instruction No. 409 of July 31, 1925 transmitting a copy of a note from the British Embassy in Washington (No. 543) of May 22, 1925, in regard to the diversion from their ostensible port of arrival of opium shipments leaving Bushire and instructing this Legation to present certain phases of the question to the Persian government, I have the honor to enclose herewith a copy of my note to the Persian Minister of Foreign Affairs in the sense of the Department's instruction (Enclosure 1) and a translation of the Minister's reply (Enclosure 2).²²

I have [etc.]

COPLEY AMORY, JR.

[Enclosure]

The American Chargé (Amory) to the Persian Minister for Foreign Affairs (Hassan Moshar)

No. 29

TEHERAN, *September 7, 1925.*

EXCELLENCY: Referring to this Legation's communication of Feb. 13, 1925, (No. 136)²² in regard to the control of the opium traffic from the Persian gulf ports and to Your Excellency's replies thereto, No. 20896 [20898] of February 22,²² and No. 1565 of May 6, 1925,²² I have the honor, pursuant to instructions from my government, to inform Your Excellency that subsequent to the above exchange of notes my government has received credible information from certain of its representatives in China and from other sources that opium shipped from the Persian gulf has been diverted from its ostensible destination and has been smuggled into China.

In this connection it may not be inopportune to refer to the efforts which the Imperial Government and the American Government have made to assist in the regulation of the world traffic in this drug, and in keeping it within the limits of legitimate enterprise.

In inviting Your Excellency's attention to the situation outlined above, I need hardly point out that my government is actuated by a

²² Not printed.

spirit of friendly cooperation, and in order that the joint efforts of the two governments may be most effective, has expressed the earnest hope that Your Excellency will see fit in due course to inform me of such steps as the Imperial Government may have been able to take, or of such further steps as it may contemplate taking to control the export of opium likely to get into contraband channels.

I avail myself [etc.]

COPLEY AMORY, JR.

PERU

BOUNDARY DISPUTE WITH COLOMBIA

(See volume I, pages 436 ff.)

THE TACNA-ARICA QUESTION

(See volume I, pages 304 ff.)

691

POLAND

AGREEMENT BETWEEN THE UNITED STATES AND POLAND ACCORDING MUTUAL UNCONDITIONAL MOST-FAVORED-NATION TREATMENT IN CUSTOMS MATTERS, SIGNED FEBRUARY 10, 1925¹

611.60 c 31/43b

*The Secretary of State to the Polish Minister (Wróblewski)*²

WASHINGTON, February 10, 1925.

SIR: I have the honor to make the following statement of my understanding of the agreement reached through recent conversations held at Washington on behalf of the Government of the United States and the Government of the Republic of Poland with reference to the treatment which the United States shall accord to the commerce of Poland and which Poland shall accord to the commerce of the United States pending the negotiation of a comprehensive treaty of friendship, commerce and consular rights to which the Governments of both countries have given careful attention and in favor of which both Governments have informally expressed themselves.

These conversations have disclosed a mutual understanding between the two Governments which is that, in respect to import, export and other duties and charges affecting commerce, as well as in respect to transit, warehousing and other facilities and the treatment of commercial travelers' samples, the United States will accord to Poland and Poland will accord to the United States, its territories and possessions, unconditional most-favored-nation treatment; and that in the matter of licensing or prohibitions of imports or exports, the United States and Poland, respectively, so far as they at any time maintain such a system, will accord to the commerce of the other treatment as favorable, with respect to commodities, valuations and quantities, as may be accorded to the commerce of any other country.

It is understood that—

No higher or other duties shall be imposed on the importation into or disposition in the United States, its territories or possessions, of any articles the produce or manufacture of Poland than are or shall

¹The Free City of Danzig was a contracting party.

²The draft for an exchange of notes regarding reciprocal unconditional most-favored-nation treatment was submitted to the Polish Legation on Aug. 27, 1924, and was accepted, as here printed, by the Polish Government, after minor changes.

be payable on like articles the produce or manufacture of any foreign country;

No higher or other duties shall be imposed on the importation into or disposition in Poland of any articles the produce or manufacture of the United States, its territories or possessions, than are or shall be payable on like articles the produce or manufacture of any foreign country;

Similarly, no higher or other duties shall be imposed in the United States, its territories or possessions, or in Poland on the exportation of any articles to the other or to any territory or possession of the other, than are payable on the exportation of like articles to any foreign country;

Every concession with respect to any duty, charge or regulation affecting commerce now accorded or that may hereafter be accorded by the United States or by Poland, by law, proclamation, decree or commercial treaty or agreement, to any foreign country will become immediately applicable without request and without compensation to the commerce of Poland and of the United States and its territories and possessions, respectively:

Provided that this understanding does not relate to

(1) The treatment which the United States accords or may hereafter accord to the commerce of Cuba or any of the territories or possessions of the United States or the Panama Canal Zone, or to the treatment which is or may hereafter be accorded to the commerce of the United States with any of its territories or possessions or to the commerce of its territories or possessions with one another.

(2) The treatment which Poland may accord, in order to facilitate strictly border traffic, to the products of a zone not exceeding fifteen kilometers in width beyond its frontiers or to the products of the German portions of Upper Silesia under the régime at present existing.

(3) Prohibitions or restrictions of a sanitary character or designed to protect human, animal or plant life or regulations for the enforcement of police or revenue laws.

The Polish Government, which is entrusted with the conduct of the foreign affairs of the Free City of Danzig under Article 104 of the Treaty of Versailles³ and Articles 2 and 6 of the Treaty signed in Paris on November 9, 1920, between Poland and the Free City,⁴ declares that the Free City becomes a contracting party to this agreement and assumes the obligations and acquires the rights laid down therein. The above declaration does not relate to those stipulations of this agreement which are accepted by the Republic of Poland with regard to the Free City of Danzig on the basis of rights acquired by treaties.

³ Malloy, *Treaties*, 1910-1923, vol. III, pp. 3329, 3385.

⁴ League of Nations, *Treaty Series*, vol. 6, p. 189.

The present arrangement shall become operative on the day of signature and, unless sooner terminated by mutual agreement, shall continue in force until thirty days after notice of its termination shall have been given by either party; but should either party be prevented by future action of its legislature from carrying out the terms of this arrangement, the obligations thereof shall thereupon lapse.

It is understood that this agreement is subject to ratification by the Polish Diet.⁵

I shall be glad to have your confirmation of the accord thus reached.

Accept [etc.]

[File copy not signed]

611.60 c 31/44

The Polish Minister (Wróblewski) to the Secretary of State

WASHINGTON, February 10, 1925.

SIR: I have the honor to make the following statement of my understanding of the agreement reached through recent conversations held at Washington on behalf of the Government of the Republic of Poland and the Government of the United States with reference to the treatment which Poland shall accord to the commerce of the United States and which the United States shall accord to the commerce of Poland pending the negotiation of a comprehensive treaty of friendship, commerce and consular rights to which the Governments of both countries have given careful attention and in favor of which both Governments have informally expressed themselves.

These conversations have disclosed a mutual understanding between the two Governments which is that, in respect to import, export and other duties and charges affecting commerce, as well as in respect to transit, warehousing and other facilities and the treatment of commercial travelers' samples, Poland will accord to the United States, its territories and possessions, and the United States will accord to Poland, unconditional most-favored-nation treatment; and that in the matter of licensing or prohibitions of imports or exports, Poland and the United States respectively, so far as they at any time maintain such a system, will accord to the commerce of the other treatment as favorable, with respect to commodities, valuations and quantities, as may be accorded to the commerce of any other country.

It is understood that—

No higher or other duties shall be imposed on the importation into or disposition in the United States, its territories or possessions,

⁵The Minister in Poland reported in despatch No. 30, Sept. 15, 1925, that formalities of ratification by the Polish Government were completed on Sept. 14.

of any articles the produce or manufacture of Poland than are or shall be payable on like articles the produce or manufacture of any foreign country;

No higher or other duties shall be imposed on the importation into or disposition in Poland of any articles the produce or manufacture of the United States, its territories or possessions, than are or shall be payable on like articles the produce or manufacture of any foreign country;

Similarly, no higher or other duties shall be imposed in the United States, its territories or possessions, or in Poland on the exportation of any articles to the other or to any territory or possession of the other, than are payable on the exportation of like articles to any foreign country;

Every concession with respect to any duty, charge or regulation affecting commerce now accorded or that may hereafter be accorded by the United States or by Poland, by law, proclamation, decree or commercial treaty or agreement, to any foreign country will become immediately applicable without request and without compensation to the commerce of Poland and of the United States and its territories and possessions, respectively:

Provided that this understanding does not relate to

(1) The treatment which the United States accords or may hereafter accord to the commerce of Cuba or any of the territories or possessions of the United States or the Panama Canal Zone, or to the treatment which is or may hereafter be accorded to the commerce of the United States with any of its territories or possessions or to the commerce of its territories or possessions with one another.

(2) The treatment which Poland may accord, in order to facilitate strictly border traffic, to the products of a zone not exceeding fifteen kilometers in width beyond its frontiers or to the products of the German portions of Upper Silesia under the régime at present existing.

(3) Prohibitions or restrictions of a sanitary character or designed to protect human, animal or plant life or regulations for the enforcement of police or revenue laws.

The Polish Government, which is entrusted with the conduct of the foreign affairs of the Free City of Danzig under Article 104 of the Treaty of Versailles and Articles 2 and 6 of the Treaty signed in Paris on November 9, 1920, between Poland and the Free City, declares that the Free City becomes a contracting party to this agreement and assumes the obligations and acquires the rights laid down therein. The above declaration does not relate to those stipulations of this agreement which are accepted by the Republic of Poland with regard to the Free City of Danzig on the basis of rights acquired by treaties.

The present arrangement shall become operative on the day of signature and, unless sooner terminated by mutual agreement, shall continue in force until thirty days after notice of its termination shall have been given by either party; but should either party be prevented by future action of its legislature from carrying out the terms of this arrangement, the obligations thereof shall thereupon lapse.

It is understood that this agreement is subject to ratification by the Polish Diet.

I shall be glad to have your confirmation of the accord thus reached.

Accept [etc.]

WL. WRÓBLEWSKI

RUSSIA

REFUSAL BY THE DEPARTMENT OF STATE TO INTERVENE ON BEHALF OF THE SINCLAIR EXPLORATION COMPANY AGAINST CANCELLATION OF ITS OIL CONCESSION IN NORTHERN SAKHALIN¹

861b.6363/112 : Telegram

The Minister in Latvia (Coleman) to the Secretary of State

[Extract]

RIGA, February 27, 1925—noon.

[Received 5:28 p. m.]

18. *Izvestia* 24th. Supreme Soviet People's Economy applied to Moscow Province Court for the cancellation of the Sakhalin concession contract with the Sinclair Prospecting [*Exploration*] Company on the ground that it failed to begin prospecting within the stipulated time and to expend stipulated amounts for technical preparations in connection with such work. Hearing March 11th.²

COLEMAN

861b.6363/116

Memorandum by the Secretary of State

[WASHINGTON,] March 12, 1925.

MEMORANDUM FOR CABINET MEETING:

In 1922 the Sinclair Oil Company entered into a contract with the Far Eastern Republic for an oil concession in Northern Sakhalin, being that part of the island claimed by Russia. The Soviet Government insisted that the concession required ratification by it and a supplemental agreement was made on January 23, 1923, confirming the grant but providing certain conditions making the concession dependent upon the attitude of the American Government toward the Soviet regime and toward the concession granted by it. One of these specifically provides that the concession might be cancelled at the end

¹For previous correspondence concerning this concession in Northern Sakhalin, see *Foreign Relations*, 1924, vol. II, pp. 678 ff.

²The Minister in Latvia reported in despatch No. 2762, Apr. 11, 1925, that the Moscow Province Court had annulled the Sinclair contract on March 24. The Minister reported in despatch No. 2947, June 12, 1925, that the Soviet Supreme Court had rejected an appeal by the Sinclair Exploration Co. against the decision of the lower court. (File Nos. 861b.6363/129, 134.)

of the fifth year after the date of the signing of the supplemental agreement, to wit, January 23, 1923, if normal official relations had not been resumed between the United States of America and the Far Eastern Republic in the form of a judicial recognition (recognition *de jure*). It is unnecessary to go into the long history of this matter as presented to the State Department by the Sinclair Oil Company and the State Department's reply. It is sufficient to say that the Japanese Government, whose military forces have occupied Northern Sakhalin, declined to permit the employees of the Sinclair Oil Company to enter Northern Sakhalin for the purpose of exploration and development. The Sinclair Company appealed to the State Department asking the assistance of the United States Government to carry out its contract. The State Department declined on the ground that this Government had never recognized the Far Eastern Republic or the Soviet Government and, therefore, could not make any representations to that Government in relation to the contract.

The Sinclair Oil Company later claimed that Japan had entered into a treaty with Russia whereby the Japanese troops were to be removed by the fifteenth of May, 1925, and the ownership and control of Northern Sakhalin was conceded to the Soviet Government³ and that the Soviet Government had by a Protocol granted a concession to industries recommended by the Japanese Government for the exploration of fifty per cent of certain areas. It was provided that as for the other fifty per cent the Soviet Union decided to offer such lots, whole or in part, for foreign concession.⁴ The Sinclair Company claimed this was in violation of the declaration of the Japanese Delegation at the Washington Conference⁵ which reads as follows:

"In conclusion, the Japanese Delegation is authorized to declare that it is the fixed and settled policy of Japan to respect the territorial integrity of Russia, and to observe the principle of nonintervention in the internal affairs of that country, as well as the principle of equal opportunity for the commerce and industry of all nations in every part of the Russian possessions."

There are two answers to these propositions. In the first place, any representations this Government should make would necessitate a support of the contract made between Sinclair Company and a Government which the United States has not recognized, a protest to the Soviet Government which we are not in a position to make. Second, it is extremely doubtful whether the concession is in violation of the declaration of the Japanese Delegation. Under the treaty between the Nine Powers as to China,⁶ there was a similar provision

³ Treaty of Jan. 20, 1925, Protocol (A), art. III, League of Nations, *Treaty Series*, vol. xxxiv, p. 38.

⁴ Protocol (B), *ibid.*, p. 40.

⁵ *Conference on the Limitation of Armament*, p. 346.

⁶ *Foreign Relations*, 1922, vol. I, p. 271.

as to equal opportunity for development in China and yet the State Department approved a contract between an American corporation and China whereby the development or exploration of fifty per cent of the oil bearing territory in a given province in China was granted to the American corporation,⁷ the opinion of the Secretary being that as the balance was open freely to the nationals of other countries that it was not an exclusive or monopolistic contract. In any event, in my opinion, we cannot support a contract between American nationals and a Government which we have not recognized. The Sinclair Company and all other nationals enter into contracts with the Russian Government with the full knowledge that they take their own risk and that they will not receive the support of this Government.

861b.6363/131

Memorandum by the Secretary of State

[WASHINGTON,] June 3, 1925.

MEMORANDUM FOR THE SOLICITOR'S OFFICE:

re: Sinclair Concession—Northern Sakhalin.

I had an interview with Mr. Lansing⁸ this morning relative to the Northern Sakhalin matter:

(1) I explained to Mr. Lansing that I did not care to discuss the question as to the legality of Sinclair's concessions from the Soviet Government as between those parties I did not think the question was material to any action which the State Department had been or should be asked to take. He fully agreed with me as to this.

(2) Generally I admitted to be correct the statement that a mere military occupation of foreign territory did not give the occupant the right to dispose of real estate or make permanent concessions, that I did not understand that Japan had done this. It might be true, or it likely was, that the concessions promised by the Soviet Government were induced by the wish of that Government to obtain the military evacuation by the Japanese in Northern Sakhalin but the concessions promised, if made to Japanese concerns or the Japanese Government, could not, of course, be considered on the basis of the military occupation but would depend entirely upon the right of the Soviet Government to dispose of rights in its own territory. He acquiesced in this position.

⁷ Concession by the Province of Szechwan to the China Petroleum Syndicate, Nov. 3, 1922. The syndicate was dissolved by action of its managers June 27, 1924. The text of the contract is printed as annex XII to *List of Contracts of American Nationals With the Chinese Government*. (Washington, Government Printing Office, 1925.)

⁸ Robert Lansing (former Secretary of State), of the law firm of Lansing & Woolsey, representing the Sinclair Exploration Co.

(3) That in my opinion the clauses in the supplementary contract signed by the Soviet Government and the Sinclair Company relative to protection of Sinclair's rights in the United States and giving the Soviet Government the right to cancel the contract if that Government was not recognized by the United States within five years, were placed there for the purpose of using the Sinclair Company to influence the United States and [to?] grant such recognition. He admitted this to be true and said this agreement was forced from Sinclair by the Soviet Government. I did not dispute this but told him that nevertheless the fact remained the contract was made for this purpose and that was a question of public policy which did have a bearing upon the action this Department should take in protecting the Sinclair Company's rights. This he admitted and frankly conceded that the Department should not recognize the Soviet Government and could not and should not protest to that Government for the protection of the Sinclair Company's rights. He said that Sinclair's contract had been cancelled by the Soviet Courts, that there was no possibility of the rights being reinstated by the present Government in Russia and, therefore, there was no present necessity of taking any action.

(4) I then discussed with him the Japanese declaration at the Washington Conference, also the Chinese Treaty for equal rights in China, and said that the Department had taken the position that a grant of fifty per cent. of a certain territory was not denying equal rights within China in violation of the Chinese Treaty, that I was not prepared to say that the promises made by the Soviet Government to grant to Japanese concerns or the Japanese Government certain rights of exploration and fifty per cent. of the described territory was in violation of the Japanese declaration. In any event, I did not think it wise at present to make any protest to the Japanese Government in view of the fact that the Sinclair concessions had been cancelled by the courts of the Soviet Government. He acquiesced in this and suggested that the only thing he expected was that if there should be a change of Government in Russia and the new Government should come to the conclusion that an injustice had been done to the Sinclair Company and were prepared to make a concession to it, that we should lay the facts before the Japanese Government and ask, if such occasion should arise, that the Sinclair Company be given an equal opportunity to obtain concessionary rights and without opposition of the Japanese Government. He did not desire to write me a letter asking for it at present and thought that possibly I could take the matter up with the Japanese Government, not with a view to obtaining any immediate action by that Government but should the Sinclair Company in the future some time try to get a reasonable concession, he thought that it would be

well to file some sort of a notice to Japan so that the Japanese Government could not claim that we knew all about it and had never made any protest. This seemed to be a very reasonable attitude and, of course, we wish to do everything we can to protect the legitimate interests of the Sinclair Company when those interests are entirely divorced from any agreement to obtain recognition of Russia. I suggest that at the proper time a memorandum be prepared reviewing the history of the whole transaction and informing our Ambassador of the situation so that he can informally take the matter up with the Japanese Government.

861b.6363/135

The Solicitor for the Department of State (Hackworth) to the Secretary of State

[Extract]

[WASHINGTON,] *July 1, 1925.*

DEAR MR. SECRETARY: AS I informed you a few days ago, Mr. Woolsey⁹ inquired informally whether an instruction had been sent to the Embassy in Tokyo regarding the Sinclair concession in northern Sakhalin. I told him at that time that it was my understanding from your memorandum of your conversation with Mr. Lansing that it was not intended that an instruction should be sent to Tokyo unless some Government in Russia should be recognized by this Government. After talking with you I told him that you had confirmed my understanding of the situation.

G. H. H[ACKWORTH]

**RESERVATIONS BY THE UNITED STATES RESPECTING THE DISPOSAL
MADE BY GREAT BRITAIN AND FRANCE OF RUSSIAN GOLD
RECEIVED FROM GERMANY**

861.51/1827

*The British Ambassador (Howard) to the Secretary of State*¹⁰

No. 833

MANCHESTER, MASS., *September 17, 1924.*

[Received September 18.]

SIR: Under the Treaty of Brest-Litovsk certain Russian gold was ceded to Germany and this gold was, under Article 15 of the Armistice and Article 259 (6) of the Treaty of Versailles,¹¹ transferred by Germany to the Allied and Associated Governments.

⁹ Lester H. Woolsey of the law firm of Lansing & Woolsey, representing the Sinclair Exploration Co.

¹⁰ A similar note of the same date was received from the French Chargé.

¹¹ Malloy, *Treaties*, 1910-1923, vol. III, pp. 3307, 3310, and pp. 3329, 3443.

His Majesty's Government and the French Government having now completed the disposal of this Russian gold I have the honour, under instructions from His Majesty's Principal Secretary of State for Foreign Affairs, and in concert with my French Colleague, to communicate to you, as a matter of courtesy, the following notification regarding this matter:—

“The equivalent of sixty-two million dollars was paid over to French and British Governments in equal moieties and applied to the reduction of the Russian debt to those countries.”

The above has also been communicated to the Italian and Japanese Governments as parties to the Treaty of Versailles.

I have [etc.]

(For the Ambassador)

HERBERT W. BROOKS

861.51/1827

*The Secretary of State to the British Ambassador (Howard)*¹²

WASHINGTON, *March 3, 1925.*

EXCELLENCY: I have the honor to acknowledge the receipt of your note of September 17, 1924, in which, acting under instructions from your Government and in concert with your French colleague, you were good enough to communicate to me the following notification with respect to certain Russian gold which, you state, was transferred by Germany to the Allied and Associated Governments under Article 15 of the Armistice and Article 259 (6) of the Treaty of Versailles:

“The equivalent of sixty-two million dollars was paid over to French and British Governments in equal moieties and applied to the reduction of the Russian debt to those countries.”

In reply, permit me to invite your attention to the provisions of Paragraph 7 of Article 259 of the Treaty of Versailles and more particularly to recall the considerations set forth in the note addressed by the Acting Secretary of State on June 30, 1920, to His Excellency, The Right Honorable Sir Auckland Geddes,¹³ in regard to the proposal put forward at that time by the British and French Governments to apply the gold in question to redeem a part of the Anglo-French loan of 1915. You will note that in that communication this Government observed that the proposal seemed to involve a question of doubtful right respecting the use of property held in trust for Russia, and that the propriety of disposing of these funds on the sole

¹² A similar note was sent on the same date to the French Ambassador.

¹³ Note not printed.

authority of Powers which stood in the position of trustees and for their own benefit deserved serious consideration. Mr. Norman Davis also referred to the possible interest of the United States as a creditor of Russia, and stated that the Government of the United States would be glad if consideration might be given to the suggestions set forth in his communication before further action were taken with respect to this fund.

Since the action reported in your note under acknowledgment appears to be at variance with the views of this Government heretofore communicated to Your Excellency's Government, this Government must fully reserve its position with respect to the action taken and its rights in the premises.

I am today addressing a similar note to the French Ambassador.
Accept [etc.]

CHARLES E. HUGHES

**AUTHORIZATION OF VISAS FOR RUSSIAN NATIONALS TO VISIT THE
UNITED STATES TEMPORARILY FOR BUSINESS**

811.111 Firms—Sovkino : Telegram

The Secretary of State to the Consul General at Paris (Skinner)

WASHINGTON, *May 19, 1925—4 p. m.*

Simpson, Thatcher and Bartlett, which the Department understands is a reputable firm of attorneys in New York, represents certain Soviet commercial organizations in the United States such as All-Russian Textile Syndicate, Amtorg Trading Corporation, et cetera. The firm has requested the Department to authorize visas for certain Russian nationals who desire to visit the United States temporarily for business.

In conformity with existing general requirements, that visa applications be considered in the first instance by the appropriate Consul, the firm has been advised to furnish the appropriate Consul with pertinent information respecting the aliens and the object of their visit, and you are authorized to issue visas to such aliens as, under your general instructions, may properly receive them. You should request advice in doubtful cases.

Department does not desire, in general, to interpose objection to visits of Russian nationals even if associated with Soviet regime provided the bona fide purpose of their visit involves solely trade or commerce between the United States and Russia. Repeat to Riga, Berlin and London.

KELLOGG

SAN MARINO

PROPOSAL OF SAN MARINO TO ESTABLISH A LEGATION IN THE UNITED STATES

701.60 a 11/1

*The Secretary of State for Foreign Affairs of San Marino (Gozi)
to the Secretary of State*

[Translation ¹]

984/A/XLI

SAN MARINO, *February 2, 1924.*

[Received February 20.]

EXCELLENCY: I have the honor to inform Your Excellency that the distinguished Commander Ignazio Pollak, Envoy Extraordinary of the Republic of San Marino to foreign parts and more particularly to the territories of the States of Germany and Austria, has been appointed for all of the current year 1924 to be also Envoy Extraordinary to the States of North America, where there is not at present any consular office in the service of this Government.

The above-named Commander Ignazio Pollak will present himself to Your Excellency to deliver the greetings of the Government and people of San Marino, the smallest but the oldest state of the world, who have always had good grounds to trust in the sincere friendship of the great people of the United States.

Accept [etc.]

Gozi

701.60 a 11/1a

*The Secretary of State to the Secretary of State for Foreign Affairs of
San Marino (Gozi)*

WASHINGTON, *March 8, 1924.*

EXCELLENCY: I have the honor to acknowledge the receipt of Your Excellency's letter of February 2d informing me of the appointment of Commander Ignazio Pollak as Envoy Extraordinary to the United States to deliver the greetings of the Government and people of San Marino.

In reply I beg to inform Your Excellency of the high appreciation of the Government of the United States of the friendly motive prompting the appointment of Commander Pollak for this mission and that

¹ File translation revised.

I shall be most pleased to receive him for the purpose stated on his coming to Washington.²

Accept [etc.]

CHARLES E. HUGHES

701.60 a 11/6

The Secretary of State for Foreign Affairs of San Marino (Gozi) to the Secretary of State

[Translation ³]

127/A/XCII

SAN MARINO, November 19, 1924.

[Received December 8.]

EXCELLENCY: The increased emigration of San Marino citizens to the United States of America since an immigration quota was also granted to this state, the increasing exchange of interests between our two countries, and the absolute lack of direct representatives of this Government near the Government of Your Excellency, make it appear necessary to have representation of San Marino, for the protection of its subjects, in the larger centers of the territory of the United States.

It would, therefore, be the intention of my Government first to create its own Legation at Washington, for the purpose of drawing closer the ties of sincere friendship which for a long time have bound the people of this Republic to the people of the Republic of the United States of America.

I, therefore, beg Your Excellency to let me know at your earliest convenience whether Your Excellency's Government accepts the institution of a Legation.

Accept [etc.]

GOZI

701.60 a 11/6

The Secretary of State to the Secretary of State for Foreign Affairs of San Marino (Gozi)

WASHINGTON, January 16, 1925.

EXCELLENCY: I have received the communication which you did me the honor to address to me on November 19, 1924, stating the reasons which have made it appear to the Government of San Marino necessary to establish a Legation at Washington, and inquiring whether this course would be agreeable to the Government of the United States.

In reply I have the honor to advise you that should it be the pleasure of the Government of San Marino to accredit a diplomatic representa-

² Commander Pollak was received by the Secretary of State on Apr. 17, 1924.

³ File translation revised.

tive to the Government of the United States, the President, appreciating the sentiments of friendship to which you give expression, will be happy to receive him, and to accord him formal recognition.⁴

Accept [etc.]

CHARLES E. HUGHES

⁴The files of the Department show no further action regarding the establishment of a Legation of San Marino in the United States.

SPAIN

CONTINUATION OF THE COMMERCIAL "MODUS VIVENDI" BETWEEN THE UNITED STATES AND SPAIN¹

611.5231/408

The Ambassador in Spain (Moore) to the Secretary of State

No. 545

MADRID, April 7, 1925.

[Received April 21.]

SIR: Pursuant to the Department's telegraphic instruction of the 4th, instant,² directing me to press for a reply to the Department's Note of December 5th, last, to Ambassador Riaño,³ I discussed with the Acting Foreign Minister last night the points raised by the Department and endeavored by every means possible to have them accepted.

I then reminded Señor Espinosa of his promise of last Thursday to furnish me with a definite reply to the Department's Note aforementioned within three days. I also inquired whether he had obtained the opinion of the Treaty Board of the Council of State regarding the proposal contained in the Department's Note, a copy of which I had handed him in my interview of the preceding week. Señor Espinosa replied that both he and the Treaty Board held the opinion which he had expressed to me on the 2nd. instant, (see my telegram No. 9, April 2, 4 P. M.),² to wit: that Spain could not entertain, even for thirty days, a proposal which violated the Spanish law against making reductions in excess of 20% below the second column of the Spanish customs tariff. He added that he was sending telegraphic instructions in this sense to Ambassador Riaño at Washington in order to enable him to reply immediately to the Department's Note of December 5th, last. Señor Espinosa then said that as it had been intimated to him that the Government of the United States would not consider any treatment less favorable than that accorded at present to England, France, Italy, Switzerland, and Norway, all of which were receiving concessions in the form of duties lower than 20% below the second column, he doubted that a treaty could be made at this time. He intimated, nevertheless, that his Government might

¹ Continued from *Foreign Relations*, 1924, vol. II, pp. 684-692.

² Not printed.

³ *Foreign Relations*, 1924, vol. II, p. 691.

accede to a further prorogation of the treaty between our respective countries.

I have [etc.]

ALEXANDER P. MOORE

611.5231/406 : Telegram

The Ambassador in Spain (Moore) to the Secretary of State

MADRID, April 17, 1925—4 p.m.

[Received 6:40 p.m.]

13. After numerous conferences I have received the following proposition from Admiral Magaz, Acting President Military Directorate:

"In an interview recently held with the Assistant Secretary of State, Your Excellency referred to a note of your Government dated December 5, 1924, in which the proposition was made to His Majesty's Government that a commercial agreement of temporary nature be negotiated between the United States and Spain pending the arrangement of a new commercial treaty between the two countries, a temporary agreement based on unconditional reciprocal favored-nation treatment. The Assistant Secretary having explained to Your Excellency the reasons of a legal nature that prevent the Government of His Majesty from agreeing to negotiate on that basis, which the Ambassador of His Catholic Majesty at Washington has been instructed to communicate to the North American Government, Your Excellency suggested to the Acting Foreign Minister as a subsidiary solution that the commercial regime in effect, which will terminate May 5th next, be extended.

The Government of His Majesty after careful consideration given to the suggestion of Your Excellency in this respect agrees to accept in principle that solution; but at the same time, in view of the great injury to so important a factor of Spanish production as the grapes of Almeria that has been and continues to be occasioned by the policy of the American Government⁴ which in the opinion of the Government of His Majesty is unjustified for the reasons communicated to that Government, in requesting derogation [*modification*] of the same the Spanish Government would regard with pleasure and would appreciate as an evidence of the good will animating the Washington Government for the development of commercial relations between the two countries without limitation or restrictions, should the latter be willing to examine this matter anew with the purpose of seeing if it would be possible to conform to its⁵ expressed desire.

I have then the honor to inform Your Excellency that the Government of His Majesty would agree to extend the period of the present commercial regime whose effects should terminate on May 5th next

⁴An embargo on the importation of grapes and other fruits from regions where the Mediterranean fruit fly was present (including the Spanish province of Almeria), was laid by the Federal Horticultural Board in its Plant Quarantine No. 56.

⁵i. e., the Spanish Government's.

for a period which, in order to be agreeable to the Washington Government, it would be willing to fix as one year more, or until May 5th, 1926, if the latter in exchange would be favorably inclined to reexamine the matter in reference, animated by a standard of benevolence for the benefit of a normal development of the commercial relations between our two countries.[⁷]

Will the Department kindly instruct me what answer to make to the above?

MOORE

611.5231/406 : Telegram

The Secretary of State to the Ambassador in Spain (Moore)

WASHINGTON, April 21, 1925—3 p. m.

11. Your No. 13. April 17, 4 p. m. The Department notes that the Spanish Government would be willing to continue the present commercial arrangement for another period of one year if this Government should be favorably inclined to re-examine the situation with respect to the importation of Almeria grapes.

The present arrangement is not entirely satisfactory to this Government (1) because of the necessity for renewal of the agreement periodically, and (2) because of the fact that this Government is not entitled under the agreement, to claim for American products imported into Spain the benefit of reductions made by Spain in agreements entered into with other Governments subsequent to November 5, 1923, the date on which the present arrangement first became operative, while the United States on its part is according to all Spanish products most-favored-nation treatment.

While the Department cannot admit that the situation with respect to grapes has any proper bearing on the commercial relationship, it is considering the suggestion that this Government should re-examine the situation with respect to the importation of Almeria grapes and desires that meanwhile you should endeavor to obtain the following information: (1) whether the Spanish Government would be willing to continue the commercial arrangement indefinitely after the expiration of one year, subject to termination on three months' notice, or upon the conclusion of a treaty of commerce, and (2) whether it would be willing to accord to the United States, upon request through your Embassy, the benefits of any tariff concessions which have been made to any other country since November 5, 1923, or which may hereafter be made with respect to any article of interest to the trade of the United States.

KELLOGG

611.5231/415 : Telegram

The Ambassador in Spain (Moore) to the Secretary of State

MADRID, April 29, 1925—3 p. m.

[Received 4:37 p. m.]

17. Department's number 13, April 28, 3 p. m.⁶ After numerous conferences with the Foreign Office urging prompt action, I was informed last night by Acting Foreign Minister that he favored and believed that he could induce the Treaty Board to agree to an indefinite extension of present commercial arrangement. He said definitely that the Spanish Government could grant no new concessions of any kind to any government and suggested that in the proposed exchange of notes the following phraseology be used: "it is agreed that the present arrangement shall not end on May 5th next but shall continue in force indefinitely subject to termination upon 3 months' notice by either party."

When I urged full acceptance of the Department's proposal the Acting Minister pointed out that personally neither he nor the Treaty Board had much objection, saying there were only two or three smaller items which would be affected but that legal restrictions prevented them from making now or in future any new reductions under 20 percent below the second column.

Our commercial attaché informs me that the only item of commercial importance to the United States is crude sulphur, Italy and Germany paying 27 pesetas the 100 kilos and the United States 30 pesetas; other advantages he states are few and are of little or no importance.

I believe if I insisted I could obtain prorogation one year and indefinitely thereafter if the Department desired it, but Spanish officials would prefer indefinite arrangement with a 3 months' clause without any time specified. I have been promised official answer in a couple of days. Treaty Board meets today. Please instruct whether procedure suggested in first paragraph is satisfactory.

MOORE

611.5231/417 : Telegram

The Ambassador in Spain (Moore) to the Secretary of State

MADRID, April 30, 1925—9 p. m.

[Received April 30—8:11 p. m.]

18. In a memorandum dated today, Foreign Office [addressed] the Embassy as follows:

⁶ Not printed.

"In reply to the first point⁷ the Ministry has the honor [to] inform the Embassy of the United States that the Spanish Government is willing that the agreement signed by the exchange of notes of April 26, 1924⁸ remain in force until May 5, 1926 instead of May 5, 1925 and that if at least three months before May 5, 1926 it has not been denounced by either of the contracting parties it shall continue in force indefinitely thereafter and until three months after the date of its denouncement.

With respect to the second point of memorandum regarding the according to the United States of advantages conceded by Spain to other countries subsequently to November 5, 1923 and of those which may be compounded [*conceded*] hereafter, the Ministry of State has to inform the Embassy that there is no legal possibility of such action because, independently of the slight importance which such a concession may hold for the United States, and which it might be disposed to grant, the fact of doing so would imply agreement to something contrary to the existing arrangement.

It would be a question therefore of a new agreement, and even if such an unimportant concession were included therein, several of the present concessions, could not be granted as new concessions, since, as they are reductions in excess of 20 percent below the second column of the customs tariff, they would be illegal under the present law and they can continue in force only in case they are concessions granted prior to the expiration of the law of April 22, 1922."

In view of proposal submitted in my cipher telegram numbered 17 of April 28 [29], 3 p. m. I shall await a reply to this message before communicating further with the Spanish Government.

MOORE

611.5231/417 : Telegram

The Secretary of State to the Ambassador in Spain (Moore)

WASHINGTON, May 1, 1925—6 p. m.

14. Your 17, April 29 3 p. m. and 18, April 30 9 p. m.

1. An exchange of notes on the basis of the first paragraph of your 18 of April 30 9 p. m. will be satisfactory to this Government.

2. It is assumed that the exchange of notes will follow in general the form of the exchange which took place in April of last year. If on the other hand the communication which you have received from the Foreign Office is a signed communication and intended as the Spanish Government's formal proposal, you may acknowledge the communication stating that the proposal "that the commercial arrangement agreed upon through the Spanish Government's note of April 26, 1924 and my reply of April 27, 1924, shall continue in force until May 5, 1926, subject to termination at that time or

⁷ See second paragraph of Department's telegram No. 11, Apr. 21, p. 709.

⁸ The notes, dated Apr. 26, 1924, and Apr. 27, 1924, are printed in *Foreign Relations*, 1924, vol. II, p. 688.

any time thereafter on three months notice, will be agreeable to the Government of the United States."

3. If the Spanish Government insists upon reexamination of the grape situation as indicated in your 13, April 17 4 p. m., you may inform the Foreign Office that this Government will be prepared to send a competent officer to Spain during the coming summer to make such examination, but that as that question is regarded by this Government as independent of the commercial arrangement, it desires that the matter shall be treated separately and shall not be referred to in the exchange of notes.

It would be preferable to make no commitment with respect to the grape situation unless it should be insisted upon by the Spanish Government.

KELLOGG

611.5231/430

The Ambassador in Spain (Moore) to the Secretary of State

No. 568

MADRID, *May 2, 1925.*

[Received May 19.]

SIR: In confirmation of my telegram No. 19 of May 2; 10 P. M.,⁹ I have the honor to inform the Department that, by an exchange of Notes dated to-day, it was agreed that the present commercial arrangement between the United States and Spain should continue in force until May 5, 1926, subject to termination at that time or any time thereafter on three months' notice by either of the Contracting Parties.

There are transmitted herewith a copy in translation of the Notes concluding the agreement, together with a copy of a memorandum dated April 22, 1925,⁹ in which I communicated informally to the Foreign Office the instructions contained in the Department's telegram No. 11 of April 21; 3 P. M., and a copy in translation of the Acting Foreign Minister's reply thereto, dated April 30, 1925.¹⁰

While there has been no commitment with respect to the grape question, the Spanish Government requested me to exercise my good offices with a view to obtaining a reexamination of the question, which I promised to do, and in conformity therewith I venture to recommend the request to the favorable consideration of the Department.

I have [etc.]

ALEXANDER P. MOORE

⁹ Not printed.

¹⁰ Reply of the Acting Foreign Minister not printed.

[Enclosure 1—Translation]

The Acting President of the Spanish Military Directorate, Ministry of State (Magaz) to the American Ambassador (Moore)

No. 53

MADRID, 2 May, 1925.

EXCELLENCY: As a result of the conversations had regarding the commercial arrangement between Spain and the United States, I have the honor to inform Your Excellency that the Government of His Majesty is willing that the agreement reached in this respect by the exchange of Notes of April 26, 1924,¹¹ remain in force until May 5, 1926, instead of until May 5, 1925; it being understood that if at least three months before May 5, 1926, the said arrangement be not denounced by either of the Contracting Parties, it shall continue in force indefinitely thereafter and until three months have elapsed, counting from the day of its denouncement by either of the Contracting Parties.

In view of the foregoing, the Government of His Majesty will consider that the agreement has been effected by the exchange of the present Note and that which Your Excellency will be kind enough to address to me expressing your conformity thereto.

I avail myself [etc.]

EL MARQUES DE MAGAZ

[Enclosure 2]

The American Ambassador (Moore) to the President of the Spanish Military Directorate, Ministry of State (Estella)

No. 313

MADRID, 2 May, 1925.

EXCELLENCY: I have the honor to acknowledge receipt of the courteous Note of Your Excellency's Government, No. 53 of May 2, 1925, in which I am informed that the Government of His Majesty is willing that the agreement reached in respect of the commercial arrangement between the United States and Spain by the exchange of Notes of April 26, 1924, remain in force until May 5, 1926, instead of until May 5, 1925; and that it is understood that if at least three months before May 5, 1926, the said arrangement be not denounced by either of the Contracting Parties it shall continue in force indefinitely thereafter and until three months have elapsed counting from the date of its denouncement by either of the Contracting Parties.

On behalf of my Government, I accept the proposal, as outlined in the Note under acknowledgement, and I consider that the agreement has been effected by the exchange of this Note and Note No. 53 of Your Excellency's Government.

Accept [etc.]

ALEXANDER P. MOORE

¹¹ *Foreign Relations*, 1924, vol. II, p. 688.

PROTESTS BY SPAIN AGAINST AMERICAN EMBARGO ON SPANISH
ORANGES

811.612 Oranges/— : Telegram
Spain

The Ambassador in Spain (Moore) to the Secretary of State

MADRID, December 9, 1925—11 p. m.

[Received December 9—8:15 p. m.]

76. Has the Department of Agriculture placed an embargo on Spanish oranges? An immediate answer is vital to every American business interest in Spain.

MOORE

811.612 Oranges/— : Telegram
Spain

The Secretary of State to the Ambassador in Spain (Moore)

WASHINGTON, December 12, 1925—3 p. m.

75. Your 75 [76], December 9, 11 p. m. Permits were formerly granted for entry to this country of Spanish oranges under the "general" clause on page 2 of amendment 4 of Plant Quarantine 56,¹² conditional upon the presentation of evidence satisfactory to the Department of Agriculture that such fruits were not attacked in the country of origin by injurious insects, including fruit flies and melon flies. However, last year it was found that Spanish oranges were in fact quite heavily infested with the Mediterranean fruit fly and in consequence further permits were refused and the importers were notified accordingly.

The Department of Agriculture states that the importations under permit were very trivial amounting to a few shipments of Seville oranges per year for the use of two small marmalade factories near New York and that practically none of the principal crop of Spanish oranges grown about Valencia ever came to this country even when importation was unrestricted.

[Paraphrase.] The concluding sentence of your telegram seems to indicate that the Spanish Government may have under consideration steps which might prove harmful to American interests in Spain as a method of influencing the American Government's attitude regarding Plant Quarantine 56, especially in connection with the importation of Almerian grapes. If this proves to be the case, you should

¹²An embargo on the importation of oranges, grapes, and other fruits from regions where the Mediterranean fruit fly was present (including the Spanish province of Almeria), was laid by the Federal Horticultural Board in 1923 in Plant Quarantine No. 56. Amendment 4 was issued Feb. 6, 1925.

report the attitude of the Spanish Government and the character of the steps proposed. [End paraphrase.]

KELLOGG

811.612 Oranges/—
Spain

The Spanish Ambassador (Riaño) to the Secretary of State

[Translation ¹³]

WASHINGTON, December 12, 1925.

MR. SECRETARY: In compliance with instructions just received from the Government of His Majesty, I have the honor to tell Your Excellency of the unpleasant surprise and deep regret with which my Government has heard of the decision of the Department of Agriculture of the United States to include the oranges of Spanish origin in the prohibition already declared against the Almeria grapes on sanitary grounds.

I am also instructed to represent to Your Excellency that the measures taken by the growers against the parasites which have caused the prohibition are serious and effective, as may have been found by the official investigation commissions sent to Spain, and that the exclusion from the United States does injury to the Spanish orange not only on account of the market in this country but also the good name of the merchandise in the other markets; and the Government of His Majesty understands that the application of such measures is not in keeping with the spirit of benevolence on the part of Spain with regard to the imports of iron, machinery, and automobiles from the United States, nor the interest personally evinced by the President of the Council of Ministers of Spain in intervening in favor of American petroleum, notwithstanding the commercial balance which is very much against us.

The Spanish Government regards this as a matter of capital importance on account of the effect it works on national economics outside of the consideration of the duties by themselves, as it brings discredit on the Spanish fruits that enjoy world-wide fame.

I am also under instructions to declare to Your Excellency that the Government of His Majesty would be very much grieved if it were put in the position of adopting measures to meet adequately an economic and sanitary policy that is very unfavorable to the point of seeming unfriendly to Spain, which has given so much evidence of its sincere desire for cordial relations and joint interests with the United States.

¹³ File translation revised.

Begging Your Excellency to give this matter your best attention and trusting in your ever friendly and valuable mediation, I avail myself [etc.]

JUAN RIAÑO

811.612 Oranges/— : Telegram
Spain

The Ambassador in Spain (Moore) to the Secretary of State

MADRID, December 13, 1925—1 p. m.

[Received 6:20 p. m.]

78. Department's 75, December 12, 3 p. m. My telegram No. 75 [76] of December 9, 11 a. m. [p. m.] was prompted by the following personal letter, which I received from General Primo de Rivera, December 9th:

"My dear friend: With surprise and extreme regret I learn that the Department of Agriculture of the United States of North America has decided to extend to the Spanish orange the embargo it has established on Almeria grapes for reasons of health.

It is not necessary to record all the measures taken against field parasites by the Almerian cultivators nor the favorable findings in their behalf resulting from the two visits of the North American officials sent over. The new regulation is so depreciatory to a Spanish product of world-wide renown, and one cultivated with such care as to render it preferable to the same product of competing countries, that I neither can nor should permit this action to pass unnoticed, calling the attention of the United States to the measures we will be forced to take in consonance therewith, although much to our regret and only as an obligatory response to an economic policy manifestly hardly favorable to Spain.

And this is so much the more regrettable since our oranges are not sent to America, it being evident therefore to your sagacious intelligence that the decision in question tends to discredit the Spanish Mediterranean orange in all the markets it commands at present, thus favoring international competition of a commercial order the details of which it is not necessary to state at this time nor the trend of the decision reached by your Department of Agriculture, and which I truly lament.

It is of further interest in the case to note that our commercial balance with the United States is extremely unfavorable to us, and, notwithstanding this, the Spanish Government not only interposes no impediment but facilitates economic interchange as far as possible, as is plainly demonstrated by the increase that has taken place in a short time of imports of American iron wares, machinery, and automobiles, while [at] the same time we observe how the figures of our exports to your country decrease daily, more especially as regards certain items such as grapes, canned sardines, wines, etc., which are practically the basis of our foreign trade with North America.

I wish, Mr. Ambassador, that you would meditate upon the facts stated herein and especially the differences in crowns [*sic*] so that you,

so firm a friend of Spain and always so desirous of helping her, may realize the transcendent importance to our national economic situation of the measures decided upon, which, while ostensibly apart from the tariff system and outside the sphere thereof, affect the production of the country injured much more than tariff rates themselves however unfavorable they may be.

For this reason and hoping for your valuable intervention to promote swiftly and kindly the just claim of Spain.

Your very good friend, (Signed) Marquis of Estella."

Postscript in Primo de Rivera's own hand:

"You are aware of my recent intervention in favor of American petroleum and my entire good will towards your country and will understand my sorrow at the attitude of your Government at this time when everything should tend [to] unite us in order to appear before America as bound by the same interests."

MOORE

811.612 Oranges— : Telegram
Spain

The Secretary of State to the Ambassador in Spain (Moore)

WASHINGTON, December 19, 1925—5 p. m.

78. An appeal to the people of the United States against the embargo on Almerian grapes and Spanish oranges appeared in the *New York Times* of December 18 under the name of Primo de Rivera.¹⁴

Please advise the Department whether Primo de Rivera actually made this statement, and if so, report the circumstances under which it was issued. In particular, state whether at the time of its issuance the Premier had received a reply in the sense of the Department's 75, December 12, 3 p. m., to his letter addressed to Ambassador Moore quoted in your 78, December 13, 1 p. m.

[Paraphrase.] The motives of the Spanish Government in raising the matter of the embargo on Spanish oranges at this time is not wholly understood by this Department, as the embargo has been in force for 8 months without protest, nor is it understood why Primo de Rivera should have issued a public statement before any answer had been given to the formal protest of the Spanish Ambassador at Washington dated December 12.

Also, please comment on the final paragraph of the Department's telegram No. 75 of December 12, 3 p. m. [End paraphrase.]

KELLOGG

¹⁴ *Infra.*

An Article Reprinted From the "New York Times" of December 18, 1925

DE RIVERA ASKS US FOR FAIR TREATMENT

BY PRIMO DE RIVERA,
PREMIER AND FORMER DICTATOR OF SPAIN

MADRID, *Dec. 17.*—One of the greatest satisfactions of the Government of the Directorate has been the daily proof of the good will of the people of the United States toward Spain, manifested not only through its benevolent expressions of Ambassador Moore, who leaves behind him such pleasing reminiscences among Spaniards, but also by the presence of the American sailors at Cartagena and Cadiz, where there, in union with ours, they rendered tribute to those heroes who a little over a quarter of a century ago, struggled so nobly and honorably in the battles of Cavite in the Philippines and in Santiago in Cuba.

We responded to this attitude by according preferential commercial treatment to imports from the United States, and especially by favorable treatment of the tourists whose numbers we saw with pleasure increasing daily.

But a certain incident—undoubtedly the off-spring of ill interpretation—has caused some distrust to grow in the minds of Spanish producers concerning the truth of these affections they held in such high esteem.

With regard to the dry law, which causes such great damage to wine-producing countries such as Spain, we have nothing to observe in view of the fact that the question concerns a measure of a general character which the United States by virtue of its sovereignty saw fit to pass, but there followed the dry law certain hindrances regarding the importation of Almeria grapes, which had a preferential market in the United States. These obstructions were founded upon the presence of the Mediterranean fly and the possibility that the grapes might be infested thereby. Within the intervention of experts from the United States and absorbing care on the part of the Almeria producers it [has] been proved that the vineyards in the province of Almeria—where all kinds of measures had been taken both in the cultivation and production and in the packing and transportation in order that the grapes originating there might be presented in the world—are absolutely free from that fly.

We have achieved nothing in favor of our products, on the contrary the prohibition has been extended on the same pretext to the Spanish orange, which had no great market in the United States, but which was indicated in this manner as being infected without

justification, and will produce a motive of alarm in other markets which have a great consumption of this fruit, which nowhere is so carefully cultivated and of such exquisite quality.

POINTS TO BALANCE OF TRADE

Without doubt the fruit producers of California are bringing pressure to bear on the American Government with a view to preventing foreign competition, which might well be understood were the commercial balance of exchange of products, and consequently of money, in favor of Spain. Unhappily for us this is not so, and for every million dollars of goods exported to the United States we receive thence more than \$10,000,000. We pay for it with good dollars, a fact which with the present high rate of exchange means considerable sacrifices for Spain.

Everyone knows Spain imports from the United States cotton, petroleum products, automobiles and machinery, and if of the first named it may be said that we import it through peremptory necessity for our manufactories of cotton cloths, petroleum products, automobiles and various kinds of machinery are being constantly offered to us under competitive conditions by other countries, the importation of the products of which, if given preference, would diminish by many millions of dollars the commerce of the United States with Spain.

This admonition cannot constitute a menace for we well know that by comparison of the volume of the exportations of the United States with its commerce with Spain it means relatively little; this is an appeal for justice to the United States not to forget the favorable treatment she owes to our products in compensation for the many of her products we consume.

Moreover the United States must always reserve for Spain an intimate spiritual relationship. Spain is the mother of all Spanish-America; there our blood, our venturesome frank character, our culture and our tradition are sown. The United States and the new American people, inspired by a race other than Spanish, have predominated the American continent and are the guide and example of those peoples, but the United States, neither in America nor the Philippines, can ever do without the seed which Spain left in those lands. Only united with Spain in the diffusion of culture and in a reciprocity of interests can America establish her true racial type and achieve reciprocity sentiments which will give still greater strength and influence to the American race.

Besides Spain, more or less in an effective way holds the preponderant place in the straits connecting the Atlantic and the Mediterranean, which gives her an efficacious value in world affairs that

the United States should always seek to have on her side in case of an eventual attempt to cut the communications between those two seas.

The Foundation in Madrid protected by the Rockefellers, the participation of Spain in the sesquicentennial exposition at Philadelphia and that of the United States in the Seville Fair, the safety of travel in Spain on the highways, which is becoming better daily and the welcome which the American tourist receives should persuade the United States to which \$500,000 in its commercial balance is insignificant, not to rupture any interchange of products which today exists between the both countries, but on the contrary to stimulate reciprocal commerce more and more each day.

We well know that the people of the United States, who are a spiritual people, follow with the greatest interest the political evolution of Spain, which is trying to free her people of the disturbances and confusions toward which they were being borne by a system of wornout politics carried on by professional parties, unreinforced by elements taken from the great educational production or labor centres.

The people of the United States also follow with interest the noble and firm determination with which Spain is attempting to fulfill in Africa her civilizing mission; and esteem the value, tradition and history of a people of such great nobility as ours. Therefore it should not be difficult to cultivate between both nations the relations which until now have been so well directed and which only this small cloud of opposition to the admittance of our fruits has been able slightly to cool.

It is convenient for Spain in these days to be visited by the greatest possible number of foreigners in order that they appreciate the tranquility and order in which the country lives, as well as the prosperity of the industries, the progress and the work. To facilitate this the Government is preparing tourist itineraries. Travelers will find good hotels, guides, facilities for hiring automobiles and magnificent highways for travel by motor. Thus every foreigner who visits us returns to his country a witness and propagator of the beauty and good order of Spain, of the love of the people for their King and the respect they bear their Government.

811.612 Oranges/— : Telegram
Spain

The Ambassador in Spain (Moore) to the Secretary of State

MADRID, December 20, 1925—3 p. m.

[Received December 21—3:14 a. m.]

85. Department's telegram 78. From all I can gather the statement of Primo de Rivera for the *New York Times* was made after he sent

his letter of protest to me and after I explained to him personally that no personal offense was intended, that all matters in relation to embargoes were made by the Federal Horticultural Board under the Department of Agriculture, and that the Department of State, or Congress, or even the President, had no control over the matter.

For the Department's information. Personally did not know that there was any embargo on oranges until I received Primo de Rivera's letter. There was published in a couple of Madrid newspapers a few days before I received Primo de Rivera's letter a news item that such an embargo had been placed on Spanish oranges, but my impression then was that these press notices were the work of some interests unfriendly to the United States. All these notices have been sent to the Department in the Embassy's weekly reports recently. My personal opinion is that the Spanish Government did not know of this embargo until these press notices appeared and, as I understand it, the protest was only made after a number of orange growers a few days previously called on the Premier to protest against the embargo. I am positive that if the Spanish Government had known of this embargo 8 months ago, it would certainly have made a protest then, because I have seldom met either an official or a fruit grower that has not protested against the grape proposition.

[Paraphrase]

I am not able to answer specifically the last paragraph of the Department's telegram No. 75 of December 12, 3 p. m., inasmuch as the Spanish Government has given no direct indication of its intentions except the contents of Primo de Rivera's letter, of which I cabled the text to the Department on December 13th. It is my opinion that if the orange embargo could be lifted and the orange situation restored to its former condition the Spaniards might disregard the grape embargo. The chief Spanish grievance appears to be that although practically no oranges are exported to the United States, the American embargo hurts them in other markets.

I explained to them in detail that the Mediterranean fruit fly had been discovered in the grapes and in the oranges as well and that the embargo had been imposed solely for sanitary reasons, and gave them my assurance that these were the sole and only reasons. I likewise gave my assurance to Primo de Rivera that the American Government was willing at all times to assist them in every way not inconsistent with our laws. One thing with which they have been impressed and which is hard to get out of their minds is that the California fruit growers are responsible for all this. I have done everything possible to remove this idea, but for some reason it is impossible to convince them. I do not believe that the Spanish Gov-

ernment will do anything under any circumstances before the whole question has been thoroughly gone over. When I arrive in Washington about January 10th, I shall explain the whole situation in person. I feel sure that the Spanish Government will take no definite action in the meantime and it is my opinion that the matter can be ironed out.

MOORE

:811.612 Oranges/9
Spain

The Secretary of State to the Spanish Ambassador (Riaño)

WASHINGTON, February 10, 1926.

EXCELLENCY: I have the honor to refer to your Note of December 12, 1925, and the Department's reply of December 30, 1925,¹⁵ regarding the embargo imposed upon the importation of Spanish oranges into this country.

I have the honor to inform you that following consultation with the Department of Agriculture, I am now in receipt of a letter from the Secretary of Agriculture, dated January 29, 1926, explaining the action of the Federal Horticultural Board in refusing to issue further permits for the entry of Spanish oranges into this country. This letter reads in substance as follows:

"From reports transmitted to me by your Department, it is evident that there is a wide misunderstanding in Spain with respect to the restrictions enforced on account of risk from the Mediterranean fruit fly on the entry of Spanish oranges. These reports indicate that the idea obtains that action has recently been taken against Spain embargoing this fruit. The misconception which is the basis for this point of view is explained in the following statement summarizing the action of this Department restricting the entry of oranges and other fruits from foreign countries.

With the promulgation in 1923 of what is known as the fruit and vegetable quarantine (Quarantine No. 56) on account of fruit flies and other fruit pests, all foreign fruits other than as to a restricted list were forbidden entry into the United States, with minor exceptions as to certain countries. The list of fruits open to entry from all countries, and the exceptions as to certain countries with respect to other fruits, are indicated in Regulation 2 under the quarantine. As to citrus fruit, this action excluded all such fruit other than lemons and sour limes from all Mediterranean countries and South Africa, as well as from certain Central and South American countries, and, in general, trans-Pacific countries, in all of which dangerous fruit fly enemies were known to exist. This action was in line with restrictions long enforced against our own Territory of Hawaii on account of the establishment there of the Mediterranean fruit fly, except that the restrictions on Hawaiian fruit are even more drastic than those

¹⁵ Latter not printed.

established for foreign countries, and is in line with the existing action with respect to several of our States for the prevention of spread of dangerous fruit and crop pests.

The conditional entry of a certain type of Spanish orange was later authorized under an amendment to Regulation 2 of the Quarantine. This amendment, issued before the effective date (November 1, 1923) of the quarantine, added a paragraph entitled 'General', for the purpose of making provision for the entry of 'such specialties as hothouse-grown fruits or other special fruits, which can be accepted by the United States Department of Agriculture as free from risk of carrying injurious insects, including fruit flies.' Under this paragraph permits were later issued to two importers in the United States for the entry, for marmalade manufacture, of a bitter orange from southern Spain, under the condition that the fruit should be so carefully selected as to come to the United States free from infestation with fruit flies, and that it should go immediately into manufacture under adequate controls.

It will be noted that in issuing permits for this type of orange from Spain, involving, it is true, very inconsiderable imports, this was making an exception in favor of Spain to the general restriction on the entry of oranges from Mediterranean countries. Unfortunately, with the importations of the winter of 1924-25, the shipments of these oranges showed heavy infestation with the Mediterranean fruit fly. Such infestation evidently resulted from the fact that to secure the brilliant coloring which gives the particular merit to these oranges for marmalade manufacture, it is necessary to leave them on the trees until they become overripe, giving this fruit fly unusual opportunity to infest them. As already stated, the entry of these oranges was conditioned on their being so selected as to be free from such infestation, and, therefore, this status of affairs led to the revoking of the permits which were issued to the two American importers referred to. It will be noted that this involved no new quarantine action against Spain whatsoever, but was merely the reversal of a special privilege which had been given to Spanish exporters under certain conditions, which, unfortunately, could not apparently be fulfilled, and again placed Spain on an equality with other Mediterranean countries. Copies of the original issue of Quarantine 56 and of the various amendments which have been issued to Regulation 2 of that quarantine are enclosed.¹⁶

Another phase of the Spanish orange situation was brought to the attention of the Federal Horticultural Board in a personal interview last November by Sr. Fernando Silvela, Agricultural Adviser of the Spanish Government in Washington, who submitted an inquiry from a Canadian importer as to whether table oranges grown in the general Valencia district of Spain would be permitted entry at New York for immediate transportation and exportation in bond to Canada. The first decision of the specialists of the Department was adverse to such entry and Sr. Silvela was so advised under date of November 24, 1925.

This question of the entry of oranges from Spain and certain other countries for immediate transportation and exportation in bond to Canada was later given reconsideration, resulting in a general ruling

¹⁶ Not printed.

that such fruit would be permitted entry at New York or other designated northern ports during the winter months of December, January and February, if found on inspection at the port of entry to be apparently free from fruit fly infestation. This action was taken under the general provision made by the Department with respect to any of its plant quarantines for the entry of prohibited or restricted plant products for immediate export or for immediate transportation and exportation in bond, when it can be shown that such entry and movement through the United States can be so safeguarded as to eliminate risk to the plant cultures of this country (see Immediate Export Regulations, copy enclosed).¹⁷

This ruling as applying to Valencia oranges was based on the advice that this orange ripens about the end of the year, at a season when the fruit fly is comparatively inactive, and is, therefore, little, if any, infested by the fly prior to the spring or summer following.

It is respectfully requested that this explanation of the restrictions on entry of oranges from Spain and other countries, together with the provision for winter entry of Valencia oranges for the Canadian market, be transmitted to the Spanish Ambassador in Washington."

I would particularly call to your attention the fact that the embargo is general in its scope and applies to all countries in which the Mediterranean fruit fly is found, including all Mediterranean countries and South Africa, as well as the American territory of Hawaii. It therefore appears that the action of the Federal Horticultural Board in this instance cannot be considered as being directed specifically against Spanish oranges, which actually held a more privileged position under the embargo regulations than did the other countries affected thereby, a privilege which was withdrawn only after it had been discovered that the Spanish oranges imported into this country were, in fact, heavily infested with the Mediterranean fruit fly.

Accept [etc.]

FRANK B. KELLOGG

811.612 Oranges/10
Spain

The Spanish Ambassador (Riaño) to the Secretary of State

[Translation]

No. 63-18

WASHINGTON, *February 11, 1926.*

MR. SECRETARY: I have the honor to acknowledge the receipt of Your Excellency's kind note of the 10th of this month relative to the prohibition of Spanish oranges from the United States and regret that the facility extended by the Horticultural Board for the transit to Canada, through this country, of oranges from Valencia, of which thankful acknowledgement must be made, was made known to us too late to be availed of this year.

I avail myself [etc.]

JUAN RIAÑO

¹⁷ Not printed.

SWEDEN

COMPLAINT BY SWEDEN AGAINST ACTIVITIES OF AMERICAN CUSTOMS REPRESENTATIVES IN THAT COUNTRY¹

102.102/388

The Swedish Chargé (Assarsson) to the Secretary of State

WASHINGTON, *March 23, 1925.*

SIR: I have the honor to refer to the decisions taken under date of March 10th and 14th, by the Secretary of the United States Treasury, when Collectors of Customs were instructed to prohibit the importation and refuse delivery of all merchandise manufactured and exported by or for the account of Fiskeby Fabriks A/B and Holmens Bruks och Fabriks A/B, both of Norrköping, Sweden, on the ground that said firms had failed to submit for inspection, for the purpose of obtaining information therefrom as required by Section 510 of the Tariff Act of 1922,² certain of their records relative to the value and classification of said merchandise manufactured by it and exported to the United States.

The Swedish Government, who are reluctant to believe that the United States Government would require Swedish firms to disclose their books, and consequently their trade secrets, as a possible condition for the importation of Swedish goods into this country, are of the opinion that—especially in the two cases referred to—such a requirement would appear difficult to justify. In both cases it was stated to the Swedish firms by the Treasury Department's representative, Mr. Turrill, that the purpose of said investigations was to ascertain the proper value on which the American duty on the imported merchandise should be assessed and to obtain an explanation as to why the goods shipped by the two Swedish firms had been sold at a price lower than the prevailing Swedish market value.

It might be recalled that the Swedish Paper Association has always been most willing to assist the representatives of the Treasury Department in their efforts to secure information desired with regard to Swedish shipments of paper to the United States. When, therefore, Mr. Turrill applied to the Paper Association last January and asked to have explained to him why a shipment of 200 tons

¹ For related correspondence, see section entitled "Unsuccessful Efforts To Have American Customs Attachés Accorded Diplomatic Status," vol. I, pp. 211 ff.

² 42 Stat. 858, 968.

newsprint, sold by Holmens Bruks och Fabriks A/B in May 1924 to an American firm, was quoted at a lower price than that quoted to the Swedish newspapers for the same kind of paper during the year 1924, such explanation was given. It was pointed out to Mr. Turrill that contracts for delivery of newsprint during a certain year to the Swedish newspapers were generally closed several months ahead and at a fixed price, independent of the future fluctuations of the market. Thus, contracts for delivery of newsprint to the Swedish newspapers during the year 1924 were generally closed some time during the autumn 1923, at the market price then prevailing, and said market price had been considerably higher than the price quoted in May 1924, due to later fluctuations. In order to verify its statements, the Paper Association had shown Mr. Turrill authentic figures concerning the fluctuations in the prices of paper on the American market during 1924.

Holmens Bruks och Fabriks A/B had also explained to Mr. Turrill all the different items which justified the difference between domestic price agreed upon during the fall of 1923 and an export price for immediate delivery in May 1924 and had even shown him the contract made with the Swedish newspapers in the fall of 1923 as well as the invoice covering the shipment in May 1924 to the United States, which information, in the firm's opinion, offered ample proof and must be regarded as fully satisfying the purpose of the said investigation. Not till Mr. Turrill expressed a desire to take copies of the documents in question did the firm refuse to go further in their efforts to meet his wishes, as, in their opinion, such a request seemed wholly unwarranted in view of the information already given, and inconsistent, not only with the Swedish law protecting trade secrets, but also with the ordinary canons of international usage.

In these circumstances I have the honor, acting upon instructions from my Government, to make a formal protest against the above mentioned orders issued by the Secretary of the Treasury and to ask that you will be so good as to approach the competent United States authorities in this matter. I trust that they will be disposed to reconsider their decision and to remove, without delay, the barrier which has been placed against the importation into this country of products of Fiskeby Fabriks A/B and Holmens Bruks Fabriks A/B.

With renewed assurances [etc.]

V. ASSARSSON

102.102/392

The Secretary of State to the Swedish Chargé (Assarsson)

WASHINGTON, April 15, 1925.

SIR: I beg to refer to your notes of March 28, and March 31, 1925,³ relative to the Treasury orders issued March 10, and March 14, prohibiting the importation of merchandise manufactured and exported by or for the account of Fiskeby Fabriks A/B and Holmens Bruks Fabriks A/B of Norrkoeping, Sweden.

I have now been informed by the appropriate authorities of this Government that the Holmens Bruks Fabriks A/B has agreed to permit an inspection of its books and records by representatives of the United States Customs Service in accordance with Section 510 of the Tariff Act of 1922. Consequently, the order prohibiting the importation of this firm's merchandise has been revoked under date of April 1, and I am informed that any shipments which may be made by this firm will now be permitted entry into the United States.

With regard to the Fiskeby Fabriks A/B, I am informed that under Section 510 of the Tariff Act of 1922 the appropriate authorities of this Government have no discretion permitting them to lift the prohibition against the entry of this firm's goods until an inspection of the firm's books and records is permitted in order to verify the value of its goods as declared for United States customs entry.

Accept [etc.]

For the Secretary of State:

LELAND HARRISON

102.102/404

The Swedish Minister (Wallenberg) to the Secretary of State

WASHINGTON, May 4, 1925.

SIR: Referring to your letter of April 15, 1925, concerning Treasury Decisions issued March 10th and 14th, prohibiting the importation of certain merchandise manufactured and exported by or for the account of two Swedish firms who have refused to open their records to the agents of the Treasury Department, I have the honor, upon instructions received from the Minister of Foreign Affairs at Stockholm, to inform you that, despite the fact that the firms in question, for practical reasons, have now declared their willingness to meet the demands of the Treasury Department, the Swedish Government still maintains its standpoint in this matter, in so far as the principle involved is concerned, as expressed in a note from this Legation, dated March 28, 1925.

With renewed assurances [etc.]

A. WALLEMBERG

³ Latter not printed.

DISCONTINUANCE OF THE REPRESENTATION OF AMERICAN INTERESTS IN TURKEY BY SWEDISH DIPLOMATIC OFFICERS

703.5867/83 : Telegram

The High Commissioner in Turkey (Bristol) to the Secretary of State

CONSTANTINOPLE, *January 12, 1925—11 a. m.*

[Received January 12—10:50 a. m.]

5. Swedish Minister has informed me that his Government desires to discontinue the official representation of the United States in Turkey.⁴ Before writing me officially he desires assurance of a favorable reply. As such representation has for long been a fiction and as the Swedish Minister, like myself, has not yet presented letters to the President of the Republic I recommend that I be authorized to exchange notes with him as indicated.

BRISTOL

703.5867/85

The Secretary of State to the Chargé in Sweden (Magruder)

No. 134

WASHINGTON, *June 24, 1925.*

SIR: The Department's No. 102 of January 31, 1925,⁵ informed you of the desire of the Swedish Government, as made known by the American High Commissioner at Constantinople, to discontinue the protection it has been affording to American interests in Turkey. It is now desired that you address the Minister of Foreign Affairs in the following sense:

At the request of the Government of the United States the Government of Sweden kindly consented to permit its officers in Turkey to act in representation of American interests in that country. In the view of the Government of the United States the need for such representation no longer exists. I am therefore directed by my Government to request that instructions may be issued to the Minister of Sweden at Constantinople to discontinue such representation and to turn over to the American High Commissioner any records or other property of the United States that may be in his charge.

At the same time it is desired that I convey to you, as I do with much pleasure, the expression of the profound thanks of the Government of the United States and of its very high appreciation for the friendly courtesy of the Government of Sweden.

The Government of the United States has been impressed with the intelligence, efficiency and faithful care with which American interests have been looked after by Swedish officials at Constantinople, and

⁴The Swedish Legation took official charge of American interests in Turkey on Apr. 26, 1917. See *Foreign Relations*, 1917, supp. 1, pp. 598 ff.

⁵Not printed.

would be obliged if, through your intermediacy, there could be made known to all such, and especially to Mr. d'Anckersvard, Mr. G. O. Wallenberg, Colonel G. Ahlgren, Dr. Kolmodin, and Mr. Karl Mohn, its sense of obligation to them and its high appreciation of their whole hearted service in its behalf.⁶

I am [etc.]

FRANK B. KELLOGG

703.5867/86

The Chargé in Sweden (Magruder) to the Secretary of State

No. 528

STOCKHOLM, July 20, 1925.

[Received August 13.]

SIR: With reference to the Department's instruction No. 134 of June 24, 1925 (File No. 703.5867/85), respecting the discontinuance of the representation of American interests in Turkey by the Swedish Government, I have the honor to report that I am in receipt of a note from the Swedish Ministry for Foreign Affairs, a copy and translation of which are herewith enclosed,⁷ to the effect that the Swedish Minister at Constantinople has been instructed to discontinue such representation and to turn over to the American High Commissioner any records and other property of the United States that may be in his charge.

I have [etc.]

ALEXANDER R. MAGRUDER

703.5867/87

*"Procès-Verbal" for the Transfer of American Embassy and Consular Property in Turkey From the Swedish Legation to the American High Commission*⁸

WHEREAS the Swedish Legation during certain periods has had in custody the archives, journals, books, registers and inventories of various kinds of the American Embassy and Consulate General, and has signed cheques and made payments to various functionaries at the Embassy and Consulate General and has transacted money matters for the account of the American Government, its Representatives and nationals.

NOW AND THEREFORE, all the said archives, journals, books, registers and inventories which during the tenor [*tenure*] of office of Mr. Wallenberg and his predecessor, Mr. Anckersvard, were always kept by an American official engaged to assist the Swedish Legation, having been delivered over to the American High Commission at Con-

⁶ Mr. d'Anckersvärd and Mr. Wallenberg were successively the Swedish Ministers in Turkey; Col. Ahlgren, Counselor of Legation; Dr. Kolmodin, Secretary; and Mr. Mohn, Clerk.

⁷ Not printed.

⁸ Copy transmitted by U. S. High Commissioner Mark L. Bristol under covering letter of July 17, 1925; received August 18.

stantinople, and all money matters transacted for American account having been found to be in perfect order, Admiral Bristol declares on behalf of his Government and for himself that he has found everything in perfect order and he hereby gives full discharge to the respective functionaries of the Swedish Legation for all and every transaction made by them in connection with their charge of American interests:—

Signed and delivered in two copies whereof each of the parties have kept one.—

MARK L. BRISTOL

CONSTANTINOPLE, *July 16, 1925.*

Signed at the Swedish Legation at Constantinople July 18th 1925

G. O. WALLEMBERG

SWITZERLAND

COMPLAINT BY SWITZERLAND AGAINST ACTIVITIES OF AMERICAN CUSTOMS REPRESENTATIVES IN THAT COUNTRY¹

102.102/359 : Telegram

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

BERNE, October 29, 1924—2 p. m.

[Received October 29—1:20 p. m.]

112. Federal Councilor Schulthess informs me that he is in receipt of numerous complaints as to [activities] of Treasury representatives in Switzerland to the effect that in the course of their investigations they demand information as to production costs, loan contracts and trade and manufacturing secrets; that they further demand opportunity to verify these facts by examination of company's books under threat of preventing importation to the United States; that in some cases, notably Sandoz and Company of Basel, chemical manufacturers, such import rights have been refused. Mr. Schulthess stated that Federal Council considered the matter as a flagrant violation of Swiss sovereignty which could not be tolerated and requested that suitable inquiry be made. I have not brought these complaints to the attention of the Treasury officials but have endeavored to secure copies of their instructions without success although they were promised prior to this date. I have told Mr. Schulthess that there is undoubtedly a misunderstanding either on the part of Swiss manufacturers or of our Treasury representatives but that I am referring his complaint to the Department in order that an investigation may be made as soon as possible.

GIBSON

102.102/362 : Telegram

The Chargé in Switzerland (Boal) to the Secretary of State

BERNE, November 28, 1924—5 p. m.

[Received November 28—4:22 p. m.]

120. Legation's 112, October 20 [29], 2 p. m. In a letter received today Mr. Schulthess states that since his conversation with

¹ For related correspondence, see section entitled "Unsuccessful Efforts To Have American Customs Attachés Accorded Diplomatic Status," vol. 1, pp. 211 ff.

the Minister, Durant and Huguenin of Basel have been threatened by Treasury officials with stoppage of their imports into America if they do not immediately consent to examination of their books. Schulthess states this firm has been reserving its reply only pending outcome of his complaint reported in telegram 112. He requests that I ask Treasury representative, Zürich, to cause any American customs measures arising from such refusals to be held in abeyance pending final reply to his objections.

I have advised Treasury representative of this communication.

I should appreciate telegraphic expression of Department's views for guidance in replying to Schulthess.

BOAL

102.102/362 : Telegram

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

WASHINGTON, December 10, 1924—4 p. m.

99. Your 120, November 28, 5 p. m. Whole question of activities of customs representatives abroad is receiving most careful consideration of this Department and of the Treasury. It is hoped that general instructions outlining a procedure governing customs representatives' activities in foreign countries can be issued shortly. Details have not yet been fully agreed upon but procedure will be designed to meet objections raised by Swiss Government. Swiss Minister in recent visit to the Department on this subject was informed as above. You may communicate substance of above to Swiss Government stating that a fuller communication will be transmitted at the earliest possible moment.

HUGHES

102.102/375 : Telegram

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

BERNE, February 17, 1925—5 p. m.

[Received 7:44 p. m.]

15. Legation's 120, November 28, 5 p. m. and Department's 99, December 10, 4 p. m. Letter received today from George R. Coxe, assistant customs representative at Zürich, is signed as "assistant customs attaché" on stationery bearing similar letterhead. In reply to my inquiry by telephone Coxe informs me that a law was recently enacted by Congress creating customs representatives throughout Europe as attachés to our diplomatic missions. I informed Coxe that we had not been so notified by the Department and requested him to refrain from using this title pending accomplishment of customary formal-

ities under instructions from the Department. In drafting these instructions suggest that consideration be given to assurances already conveyed to Schulthess in accordance with Department's 99.

There is an obviously growing feeling of aggravation in Switzerland against the activities and methods of our customs representatives. This feeling finds frequent expression. Recently a leading member of the Federal Assembly introduced a bill providing that representatives of foreign treasury departments should not be allowed to perform official duties in Switzerland without previous authorization from the Federal Council. He stated that he was led to introduce this bill by the necessity for curbing the improper activities of American Treasury officials. See my despatch number 203, October 29th and 224, November 20, 1924.²

GIBSON

102.102/375 : Telegram

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

WASHINGTON, February 19, 1925—5 p. m.

7. Your 15, February 17, 5 p. m. Act approved January 13, 1925,³ provides for customs attachés, and that they shall be "regularly and officially attached to diplomatic missions." Definition of and procedure under this provision are being discussed with Treasury. Hence no general instructions have been prepared on this subject. Department has in mind points raised in your despatches, and in cooperating with Treasury is endeavoring to arrive at some workable solution of whole problem that will carry out provisions of existing American laws and give no ground for objection by foreign governments. Department approves your action in requesting Coxe withhold use of new title temporarily and is advising Treasury in this sense.

HUGHES

² Neither printed.

³ 43 Stat. 748.

TURKEY

DISCLAIMER BY THE SECRETARY OF STATE OF AMERICAN INTEREST IN TURKISH GOLD DEPOSITS SURRENDERED BY GERMANY TO THE REPARATION COMMISSION

467.00 R 29/57

*The Chairman of the Senate Committee on Foreign Relations
(Borah) to the Secretary of State*

WASHINGTON, February 5, 1925.

MY DEAR MR. SECRETARY: Enclosed please find a resolution introduced by Senator King and referred to the Committee on Foreign Relations.

I am directed by the Committee to transmit it to you with a view that you may give us such facts or make such suggestions relative thereto as you deem proper. The Committee is not informed with reference to the facts with which the resolution seems to deal.

Very respectfully,

WM. E. BORAH

[Enclosure]

Senate Resolution No. 319, January 26, 1925, 68th Congress, 2d Session

Whereas the Armenians participated in the war with the allied powers and the United States against the Central Empires; and

Whereas in the Treaty of Versailles settling the terms of peace and in the negotiations leading up to said treaty the Armenian Republic was recognized by the allied powers and the Government of the United States as an independent State; and

Whereas the United States Grain Corporation in the years 1919 and 1920 advanced to the Armenian Republic thirty-five thousand tons of wheat and wheat flour of the value of \$13,000,000, which advancement was made necessary in part because the Turkish Government had arbitrarily seized and transferred to the Turkish treasury all bank accounts, both current and deposit, belonging to Armenians, by which Armenian gold in the sum of 5,000,000 Turkish pounds, amounting to \$22,450,000 was transferred to the Turkish treasury, which gold was afterwards deposited by the Turkish Government in the Reichsbank at Berlin; and

Whereas said deposit of Armenian gold in the Reichsbank at Berlin was by article 259 of the Treaty of Versailles transferred and surrendered to the principal allied and associated powers, including the United States, whereby the United States has an interest in said deposit which has not been renounced or otherwise disposed of by the Government of the United States; and

Whereas said deposit in equity and right belongs to the Armenians from whom the same was seized, or to their legal representatives; and

Whereas if said fund be regarded as property of Turkey which by the Treaty of Versailles was transferred by Germany to the allied and associated powers, including the United States, and if said deposit in pursuance to the Treaty of Lausanne of July 24, 1923,¹ or otherwise, is to be applied to the payment of claims, the nationals of the United States can not rightfully be excluded therefrom; and

Whereas the United States Grain Corporation has a valid claim in the sum of \$13,000,000 against said deposit whether the same be regarded as of Turkish or Armenian derivation: Now, therefore, be it

Resolved, That the President of the United States is requested to make representations to the allied powers that the United States has an interest in said deposit and has a right to be consulted in respect to any allocation, distribution, or disposition of the same; that said deposit should be set aside in trust to be hereafter paid over to the persons from whom said gold was seized, or to their lawful representatives, and that in the event that said deposit be subjected to the payment of claims, that the Government of the United States, for the account of the United States Grain Corporation, has a valid claim against said deposit in the sum of \$13,000,000, and is entitled to share in the distribution of the same.

467.00 R 29/57

The Secretary of State to the Chairman of the Senate Committee on Foreign Relations (Borah)

WASHINGTON, February 21, 1925.

MY DEAR SENATOR BORAH: I beg to acknowledge the receipt of your letter of February 5, 1925, transmitting a copy of Senate Resolution No. 319 introduced by Senator King relative to a deposit of so-called Turkish gold.

It appears from the preamble to this Resolution that the sum of gold mentioned is believed to have been seized by the Turkish Government from Armenians and to have been deposited by that Gov-

¹ League of Nations, *Treaty Series*, vol. xxviii, p. 11.

ernment in the Reichsbank of Berlin. By the terms of the Resolution, the President would be requested to represent to the Allied Powers that the United States has an interest in the sum in question and a right to be consulted regarding its disposition; that this sum should be set aside in trust for the persons from whom it is said to have been taken or for the lawful representatives of such persons and that if the sum is to be subjected to the payment of claims, it should be applied in part toward the satisfaction of a claim of the Government of the United States, in the amount of \$13,000,000, for the value of wheat and flour advanced to the Armenian Republic by the United States Grain Corporation in 1919 and 1920.

In compliance with your suggestion, I submit the following observations as of possible assistance to your Committee in its consideration of the resolution introduced by Senator King:

1. According to the Department's information, the sum of gold in question was the subject of two agreements concluded between the German Government and the Turkish Government in 1915. Under the first agreement, which was dated April 20, 1915, the German Government granted the Turkish Government an advance in gold amounting to 80,000,000 marks, and under the second agreement, which was dated July 3, 1915, the Turkish Government undertook to deliver the sum to the Council of the Administration of the Ottoman Public Debt, in full ownership, as security for the first issue of Turkish currency notes to the same amount. In the execution of these agreements, the sum in question or a part of it appears to have been actually advanced to the Turkish Government by the German Government and to have been delivered to the Council of the Administration of the Ottoman Public Debt, by which in turn it was deposited at the Reichsbank at Berlin and subsequently transferred to the Bleichröder Bank in the same city. Prior to the signature of the Treaty of Versailles, a part of the sum deposited by the Council of the Administration of the Ottoman Public Debt had been withdrawn by the Council, and on the date of the signature of the Treaty the balance in the Bleichröder Bank was 57,919,687.44 gold marks, the equivalent of somewhat more than 3,000,000 Turkish pounds, gold. This balance was transferred to the Bank of France on February 11, 1921, for the account of the Reparation Commission, and the rights of Turkey with respect to it were renounced in paragraph 3 of Article 58 of the Treaty of Peace signed at Lausanne on July 24, 1923, between Turkey and the Allied Powers. The paragraph mentioned and the succeeding paragraph, which is also of interest in this connection, read as follows:

"Turkey renounces in favour of the other Contracting Parties (except Greece) any right in the sums in gold transferred by Germany and Austria under Article 259 (1) of the Treaty of Peace of

the 28th June, 1919, with Germany,² and under Article 210 (1) of the Treaty of Peace of the 10th September, 1919, with Austria.³

"The Council of the Administration of the Ottoman Public Debt is freed from all liability to make the payments which it was required to make by the Agreement of the 20th June, 1331 (3rd July, 1915) relating to the first issue of Turkish currency notes or by the words inscribed on the back of such notes."

2. The question of the possible interest of the United States in the sums mentioned in paragraph 3 of Article 58 of the Treaty signed at Lausanne on July 24, 1923 by the Allied Powers and Turkey was carefully considered by the Department at that time and the conclusion was reached that the Government of the United States had no proprietary interest in or claim to the sums in question which it could properly assert. As you are aware, the United States was not a party to the Peace Settlement with Turkey under which all right to the sum in question passed from Turkey. The Department has not, therefore, raised objection to the disposition of this gold by the parties having legal title thereto.⁴

3. The Department has no information confirmatory of the statement in the preamble to Senator King's resolution to the effect that the sum in gold there described was seized by the Turkish Government from Armenians. This gold, as already indicated, was advanced to Turkey by Germany and subsequently deposited in Germany by the Council of the Administration of the Ottoman Public Debt. It is not felt therefore that this Government would have any ground for suggesting that this sum should be set aside in trust for the Armenians.

4. With respect to the claim of the United States against Armenia for wheat and flour furnished in 1919, a claim which now amounts to about \$15,000,000, it may be stated that the credit in question was extended to the authorities of the Armenian Republic which was set up in 1919 in territory which lay entirely without the territory of the former Ottoman Empire and within the boundaries of Russia. It does not appear to the Department that this Government could properly have asserted a claim against the so-called Turkish gold on account of the advances made by it to the Armenian authorities in 1919.

I am [etc.]

CHARLES E. HUGHES

² Malloy, *Treaties, 1910-1923*, vol. III, pp. 3329, 3443.

³ *Ibid.*, pp. 3149, 3226.

⁴ The Chargé in France reported in despatch No. 4827, Feb. 5, 1925 (not printed), that, in accordance with instructions from the Department, he had stated at the 272d meeting of the Conference of Ambassadors that the United States raised no objection to the release of the gold in question to the Assessment Commission established to assess reparation claims against Turkey.

YUGOSLAVIA

OBJECTION BY THE DEPARTMENT OF STATE TO FURTHER LOANS BY AMERICAN BANKERS TO YUGOSLAVIA PENDING SETTLEMENT OF YUGOSLAV DEBTS TO THE UNITED STATES GOVERNMENT¹

860h.51/539

Blair & Company, Incorporated, to the Secretary of State

NEW YORK, *March 18, 1925.*

[Received March 19.]

DEAR SIRs: We have about concluded arrangements to purchase \$3,000,000 Six Months 6% Treasury Gold Notes of the Government of the Kingdom of the Serbs, Croats and Slovenes, to be dated as of March 31, 1925.

The purpose of this issue is to refund an equal amount of Seven Months 6% Treasury Gold Notes of the Kingdom which we purchased last September, and which will mature on March 31, 1925.

Will you kindly advise us at your early convenience if the State Department has any objection to our offering the above-mentioned Note issue.

Yours very truly,

BLAIR & Co. INC.

860h.51/539

The Secretary of State to Blair & Company, Incorporated

WASHINGTON, *March 20, 1925.*

SIRs: In reply to your letter of March 18, 1925, regarding your interest in the purchase of a proposed issue of \$3,000,000, Six Months 6% Treasury Gold Notes of the Government of the Kingdom of the Serbs, Croats and Slovenes, to be used to refund an equal amount of Seven Months Notes of the same Government maturing on March 31, 1925, I beg to inform you that in the light of the information before it, the Department of State offers no objection to the flotation of this issue in the American market.

I am [etc.]

For the Secretary of State:

LELAND HARRISON

Assistant Secretary

¹ For negotiations concerning settlement of war debts, see vol. I, pp. 177 ff.

860h. 51/573

Blair & Company, Incorporated, to the Secretary of State

NEW YORK, *September 12, 1925.*

[Received September 15.]

DEAR SIRs: We and our associates are conducting negotiations to purchase \$3,000,000 Six-Months 6% Treasury Gold Notes of the Government of the Kingdom of the Serbs, Croats and Slovenes, to be dated as of September 30, 1925.

The purpose of this issue is to refund an equal amount of Six-Months Treasury Gold Notes of the Kingdom which we purchased last March and which will mature on September 30, 1925.

Will you kindly advise us, at your early convenience, if the State Department has any objection to our offering the above-mentioned issue.

Yours very truly,

BLAIR & CO. INC.

860h. 51/574

Blair & Company, Incorporated, to the Secretary of State

NEW YORK, *September 17, 1925.*

[Received September 18.]

DEAR SIRs: We enclose herewith copy of our letter of September 12th to the Department of State^{1a} regarding a proposed issue of \$3,000,000 Six-Months 6% Treasury Gold Notes of the Government of the Kingdom of the Serbs, Croats and Slovenes, of which we have had as yet no acknowledgment. Supplementing the information contained in said letter of September 12th, we would state that the negotiations contemplate the receiving of an option by the bankers for \$2,000,000 additional notes, the proceeds of which in the event the option is exercised, are to be employed, we understand, for railway and road construction.

Inasmuch as the negotiations have reached an advanced stage, we would appreciate prompt advice as to the Department's attitude in regard to the issue.

Yours very truly,

BLAIR & CO. INC.

^{1a} *Supra.*

860h.51/573

The Secretary of State to Blair & Company, Incorporated

WASHINGTON, September 18, 1925.

SIRS: I beg to acknowledge the receipt of your letter of September 12, 1925, regarding your interest in the purchase of \$3,000,000, Six-Months 6% Treasury Gold Notes of the Government of the Kingdom of the Serbs, Croats and Slovenes, for the purpose of refunding an equal amount of Six-Months Notes purchased by you last March and maturing September 30, 1925, and in reply to your inquiry to state that this Government does not view with favor Yugoslav financing at the present time.

I am [etc.]

For the Secretary of State:

JOSEPH C. GREW

Under Secretary

860h.51/573

The Secretary of State to Blair & Company, Incorporated

WASHINGTON, September 23, 1925.

SIRS: I beg to refer to this Department's letter of September 18, 1925, in reply to your inquiry regarding the proposed purchase and sale by you and your associates of \$3,000,000, Six Months, 6%, Treasury Gold Notes of the Government of the Kingdom of the Serbs, Croats and Slovenes and to subsequent conversations on this subject with your representative, Mr. Chandler P. Anderson.

It appears from the information with which Mr. Anderson has furnished the Department that you and your firm are committed to the Yugoslav Government in respect of the financing in question and that, apart from any other considerations, it is not improbable that if you should withdraw at this time from the transaction, the notes now outstanding would go to default and serious loss would be occasioned to American holders of Yugoslav securities. The Department regrets that the contemplated financing was not brought to its attention sufficiently in advance of your commitment thereto as to permit your decision in the matter to be guided by the Department's views with respect to the extension of credit to the Yugoslav Government.

As stated in the Department's letter of September 18, 1925, this Government does not view Yugoslav financing with favor at the present time. The reasons for its attitude were fully explained to Mr. Anderson and are, as you know, due to the failure of that Gov-

ernment to take steps looking to the refunding of its indebtedness to the United States. In view of your commitment, however, and actuated by a desire to avoid possible embarrassment and loss to American investors, the Department, while maintaining its position as set forth in the above-mentioned letter of September 18, 1925, and without in any sense establishing a precedent, is willing to state that it will interpose no objection to the purchase and sale by you of the \$3,000,000, Six Months Notes in question for the purpose of refunding an equal amount of Six Months Notes maturing September 30, 1925. The Department desires it to be understood, however, that objection will be offered to any further renewal of the present credit or to the extension of additional credit until a satisfactory understanding is reached between the Yugoslav Government and the World War Foreign Debt Commission regarding the refunding of the former's indebtedness to the United States. Accordingly it would object to the purchase and sale by you of the \$2,000,000 additional notes, referred to in your letter of September 17, 1925.

I am [etc.]

FRANK B. KELLOGG

860h.51/531

*The Minister in the Kingdom of the Serbs, Croats and Slovenes
(Dodge) to the Secretary of State*

No. 2815

BELGRADE, *September 25, 1925.*

[Received October 12.]

SIR: Referring to my Despatch No. 2726 of June 26th last,² relative to the proposed Loan of Messrs. Blair and Company and Messrs. Armstrong, Whitworth and Company to the Yugoslav Government, I have the honor to inform you that since my return here I have renewed my acquaintance with Mr. Nelson O'Shaughnessy, the new representative here of Blair and Company. My despatch above referred to mentioned that the \$3,000,000 six months Yugoslav Treasury Notes taken by Blair and Company on October 1st last, and renewed on April 1st last for another six months, would mature on October 1st next. The Yugoslav Government, although professing to have funds on hand sufficient to enable them to pay off these notes at maturity, are anxious to renew them and Blair and Company are also desirous of so doing in order thus to preserve for some time longer their option on the Adriatic Railway contract.³ Mr. O'Shaughnessy has lately shown me two telegrams which he has received from Blair and Company in New York concerning Blair and Company's negotiations with the Department in connection with this

² Not printed.

³ See *Foreign Relations*, 1922, vol. II, pp. 1002 ff.

note renewal. These telegrams appear to be of sufficient interest for me to quote them as follows:

“Sent September 21st. 1925, 4.36 p. m.

Received in Belgrade, September 22nd. 1925, 9.30 A. M.

Monday No. 27. Deliver the following to the Minister of Finance. ‘In response to our enquiry concerning the proposed \$3,000,000 note issue, we have been advised by the American State Department United States Government does not view with favour Yugoslav financing at the present time. Presume Minister of Finance will take up matter direct with our Government. Are doing everything possible to secure modifications this decision.’ Blair.”

“Sent from New York September 22nd 4.46 p. m.

Received in Belgrade; Sept. 23rd 9.15 a. m.

Tuesday No. 28 Communicate the following to the Minister of Finance. ‘After bringing pressure to bear on our Government we are informed verbally that our Government reluctantly agreed not to raise objections to issue Six Months Notes to provide for funds for those maturing Sept. 30th. It was intimated that we could not count on any financing being approved either for renewal of the new notes or for other purposes until commission had come to Washington to settle outstanding questions debt owed by your Government to our Minister of Finance.’ Blair”.

Mr. O’Shaughnessy informs me that in view of the second telegram quoted above the renewal of the Yugoslav Treasury Notes for another six months is now practically assured but that further financing on the part of Blair and Company is at a standstill in view of the last sentence in this telegram and in view of the continued absence from Belgrade of the Minister of Finance, Dr. Stojadinovitch. As stated in my Despatch No. 2810 of the 12th instant,⁴ in reply to your Instruction No. 575 of July 23rd last,⁴ relative to the assurances given by the Yugoslav Government in connection with its debt to the United States, I am proposing to call upon Dr. Stojadinovitch upon his return in order to ascertain his intentions regarding the funding of this debt.

I may also mention that I learn strictly confidentially that the relations between Blair and Company and Armstrong, Whitworth and Company, have of late become still further strained and that unless they change for the better, it is unlikely that the British firm will be allowed to participate in further financing by Blair and Company. My Despatch No. 2670 of May 6th last⁴ reported complaints made by Blair and Company on account of the attitude in a number of matters of Armstrong, Whitworth and Company.

I may add in this connection that a few days ago Messrs. T. L. Addy Taylor and E. P. Thomas of the United States Steel Products

⁴ Not printed.

Company called at the Legation and stated that they had been in correspondence with a lawyer here about the possibility of their Company bidding for the construction of the great bridge across the Danube at a point a few kilometres below Belgrade. They stated that their Company did not propose to finance this undertaking directly but possibly through Blair and Company. They proposed to call on Mr. O'Shaughnessy. As reported in my Despatch No. 2670, above referred to, and in other despatches, the construction of this bridge, the so-called Pancevo Bridge, has lately been considered by Blair and Company and Armstrong, Whitworth and Company as forming part of the proposed Adriatic Railway.

I have [etc.]

H. PERCIVAL DODGE

860h.51/578

Blair & Company, Incorporated, to the Secretary of State

NEW YORK, October 9, 1925.

[Received October 10.]

SIR: We beg to acknowledge your letter to us dated September 23, 1925 in which you refer to the State Department's letter of September 18, 1925 in reply to our letter of September 12, 1925 with reference to the proposed purchase and sale by us and associates of \$3,000,000. Six months 6% Treasury Gold Notes of the Government of the Serbs, Croats and Slovenes, for the purpose of refunding an equal amount of Six Months Treasury Gold Notes held by American investors maturing September 30, 1925, and are pleased to note the Department interposes no objection to such purchase and sale by us.

This contemplated financing was brought to the attention of the Department at the earliest practicable time. As you are already advised, this financing was not the loan of new money to the Jugo Slav Government, but was for the purpose of taking care of securities maturing on September 30th which had been previously issued in this country with the knowledge of and without objection from the Department. Our representative arrived at Belgrade to discuss the matter of this maturity on September 10, 1925. Having determined the intention of the Jugo Slav Government not to repay the notes but to sell an issue of refunding notes running for a period of six months more, we addressed to the Department our letter of September 12th, to which the Department's letter of the 18th was a reply.

Having no reason to believe that the State Department would interpose objection to this renewal of a transaction which it had already passed on two prior occasions, and no reply having been received from the State Department until the arrival on September 21st of your letter of September 18th, and the time for action being very

limited because the notes were about to mature on September 30th, our representative in Belgrade was permitted to go ahead with the arrangements for refunding the issue. We could not have withdrawn from those arrangements at that late date without serious embarrassment to the Jugo Slav Government and serious impairment of our good relations with it.

The original advance of money which these notes represent was made in the summer of 1924, and we refer to the official letter of the Department, dated July 24, 1924,⁵ advising us that the Department offered no objection to the financing.

In connection with that financing an advance of certain additional sums was under consideration by the issue of the bonds of the 1922 Gold Loan, which, by the contract of purchase of the notes, were then and still are under option to us, and in connection therewith, in December 1924, Mr. W. B. Poland, on our behalf, made a special trip to Washington, at which time he called on Mr. Leland Harrison, Assistant Secretary of State, and also upon other representatives of the Department, as well as upon the Secretary of the Treasury and the Secretary of Commerce, for the purpose of determining, as fully as possible, the attitude of our Government to the negotiations which would be necessary in connection therewith, and we respectfully refer to our letter to the Department of December 15, 1924,⁵ in which we stated that we did not wish to proceed seriously with these negotiations until we were sure there was no objection by the Department of State, and to the reply of the Department under date of December 18, 1924⁵ confirming the fact that there was no objection to the issue of these securities in the American market.

The project of issuing bonds has not proved feasible up to the present time and when the original issue of notes came due in March, 1925, it was necessary to extend them by an issue of new six months notes, namely the notes now maturing. Under date of March 18th we advised the Department that we had about concluded arrangements to purchase these notes, and under date of March 20th were promptly advised by the Department that it offered no objection to the floatation of this issue on the American market.

We recite the above facts in order to show you that not only had we no reason to expect an adverse reply to our letter of September 12th or to believe the matter was not being brought to the attention of the Department sufficiently in advance of our commitment to permit our decision in the matter to be guided by the Department's views with respect to the extension of credit to the Jugo Slav Government, as suggested in your letter of September 23rd; but, on the contrary,

⁵ Not printed.

we, and the American investors who were our clients in the purchase of the notes had every reason to believe and expect, when making their investment, as well as now, that the State Department would interpose no objection to an issue of new short term notes in lieu of the notes the issue of which the Department had already approved, and the extension of which was involved in the negotiations of which the Department had been advised by our letter of December 15, 1924, especially since we had received no intimation whatever of any change of attitude on the part of the Department.

We have at all times endeavored to cooperate fully with the State Department when considering finance for the Jugo Slav Government. When we received the first intimation of the attitude of the Department with respect to such matters at the time when the Jugo Slav Loan of 1922 was under consideration, we placed ourselves wholly at the disposal of the Department, and we have before us a letter signed by Mr. Hughes, then Secretary of State, acknowledging the aid of our representative, Mr. Sheldon, at Belgrade, as well as an official telegram of the Department advising us that an understanding had been reached between the American Chargé d'Affaires at Belgrade and the Jugo Slav Government. We have also understood that subsequently representatives of the Jugo Slav Government came to this country in connection with its debt to the United States, with what result we have never been officially advised. And we beg to call your attention to the fact that the original advance of money represented by these notes and the official letter of the Department with respect thereto, dated July 24, 1924 above referred to, was subsequent to the visit of these representatives.

We desire to continue our cooperation, and in expressing this intention, we feel that we should be permitted to add that as American bankers endeavoring to aid, as circumstances will permit, in the rehabilitation of one of our allies in the World War, owing debts to our Government, we had reason to hope for the cooperation of the State Department with us as well. We beg to point out that it makes our position very difficult, both as to prestige abroad and our duty to our clients here, to find, after our careful efforts as recited above to ascertain the general attitude of the Department, that it had changed its position within so very short a time of an imminent maturity, and without previous warning to us which would permit us to accommodate ourselves to its position without causing serious misunderstandings abroad and embarrassments to us, our associates and clients here. We also feel that unless the maturity of the present issue of six months notes can be satisfactorily otherwise provided for, we, and the investors who have purchased from us, are entitled, in view of the past action of the Department, to expect

that it will interpose no objection to any necessary refunding of these notes at maturity. Credits which have once been passed without objection and which need to be refunded at maturity are very different from fresh credits for new money. In view of the exchange problems which must continue until all currencies are stabilized, an objection to a credit of this character would constitute such drastic action that we cannot believe that the Department, after full consideration of all the equities involved, will continue the position with respect to such credits as is intimated in your letter.

Since the receipt of your communications we have made representations to the Jugo Slav Government and are just in receipt of unofficial cable advices from which we understand that the Government has decided to send a mission to the United States to discuss its debt.

We have also written the Jugo Slav Government an official letter, in which we advise it that in our opinion it will greatly enhance the credit of their Government in this market and will contribute to the possibility of further offerings of securities if it will make an early effort to reach an understanding with the World War Foreign Debt Commission regarding the refunding of the Jugo Slav Government's indebtedness to the United States.

We reiterate our desire to cooperate with the Department in this matter and are ready to place ourselves at your disposal in any other practical manner which you may suggest.

We beg to remain [etc.]

BLAIR & Co. INC.

860h.51/578

The Secretary of State to Blair & Company, Incorporated

WASHINGTON, *October 17, 1925.*

SIRS: I beg to acknowledge the receipt of your letter of October 9, 1925, with further reference to the recent purchase and sale by you and your associates of \$3,000,000, six months, 6% Treasury Gold Notes of the Government of the Serbs, Croats and Slovenes.

The Department has given careful consideration to the points discussed in your letter, but in the light of the present situation the position of the Department necessarily remains as stated in its letter of September 23, 1925.

I am [etc.]

For the Secretary of State:

LELAND HARRISON

Assistant Secretary

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